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The Conference Board

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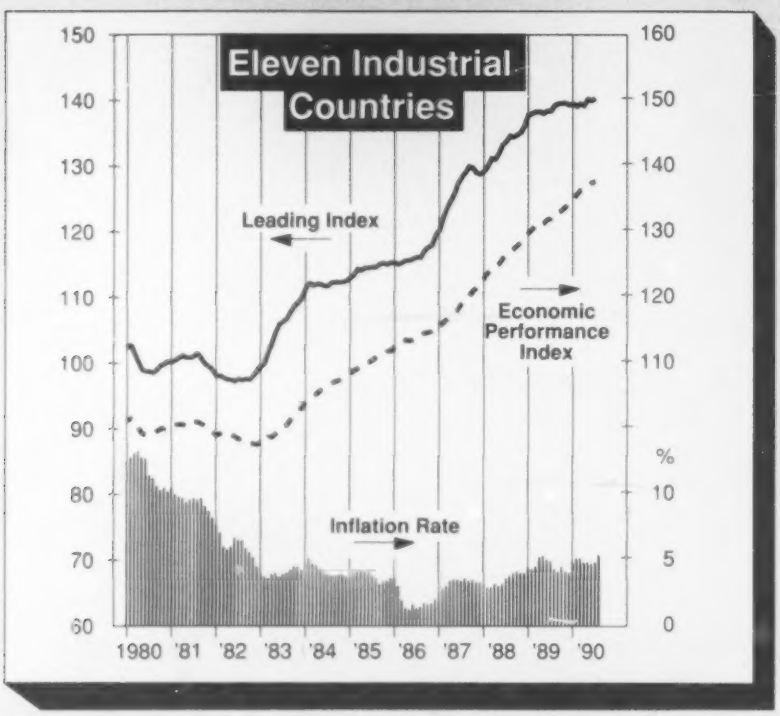
International Economic Scoreboard

INSIDE:

- **New — Inflation Rates for all Countries — Not Pleasant Reading**
- **Subsidence in Leading Indicators Spreads Around the World**
- **Weakness Most Virulent in English-Speaking Countries**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
	annual rates, percent								
Eleven countries	3	4	4	4	1	0	1	Expansion continuing, leaders weak	July
Ten countries (U.S. excl.)	3	7	7	6	2	2	1	Expansion continuing, leaders weak	July
North America (2)	3	0	1	1	-1	-2	1	Expansion stopped, leaders weak	July
Europe (4)	2	7	6	6	0	1	2	Expansion continuing	July
Pacific Region (5)	4	7	8	7	5	3	2	Expansion continuing	July
United States	3	1	1	0	-2	0	-1	Expansion stopped, leaders weak	Aug.
Canada	3	2	2	1	-2	-5	-3	Expansion stopped, leaders weak	July
Germany	2	8	7	7	5	3	3	Expansion continuing	Aug./July
France	2	8	8	7	-3	1	0	Expansion continuing, leaders weak	July/Aug.
United Kingdom	2	4	4	2	-1	-1	-3	Expansion continuing, leaders weak	Aug.
Italy	2	6	6	5	-3	0	0	Expansion continuing, leaders weak	May/June
Japan	4	8	9	8	6	4	2	Expansion continuing, leaders weak	July
Australia	3	4	0	-6	-4	-4	-3	Expansion stopped, leaders weak	Aug.
Taiwan, R.O.C.	8	3	2	-1	15	3	-3	Expansion stopped, leaders weak	Aug.
Korea, R.O.K.	7	15	7	7	10	4	1	Expansion continuing, leaders weak	Aug.
New Zealand	2	2	1	0	2	-2	-1	Upturn stopped, leaders weak	July

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Stagflation

If "stagflation" is defined as stagnation in economic activity coupled with inflation, then it surely is the appropriate term for the present world economy. Although global economic activity continues to climb moderately, the composite leading index for these eleven industrial countries has been flat for almost a year. And inflation, reflecting a new surge of pressure from petroleum, is accelerating almost everywhere. It's a gloomy pattern.

The surge of oil prices is, presumably, a one-time event, and with varying degrees of cyclical weakness prevailing through most of the industrial world, the oil-price increases should not get built into the ongoing inflation rate in a lasting way. Consequently, before too long the inflation pattern should turn itself around: Instead of a worsening of inflation, we should see an improvement.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos. ago**	*3 mos. ago**	*Latest month**	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.1	4.8	5.4	Rising	Aug.
Ten countries (U.S. excl.)	5.2	4.5	4.8	5.0	Rising	Aug.
North America (2)	5.6	5.5	4.6	5.8	Rising	Aug.
Europe (4)	6.6	4.8	5.4	5.9	Rising	Aug.
Pacific Region (5)	3.4	4.0	4.2	3.9	Steady	Aug.
United States	5.5	5.6	5.1	6.4	Rising	Sept.
Canada	6.5	5.4	3.8	3.7	Falling	Aug.
Germany	2.9	2.7	2.1	3.3	Rising	Sept.
France	7.3	3.3	3.0	3.6	Rising	Aug.
United Kingdom	7.3	7.6	11.4	11.5	High and Rising	Aug.
Italy	11.2	5.8	5.5	6.4	Rising	Sept.
Japan	2.5	2.9	2.2	4.3	Rising	Sept.
Australia	8.4	8.2	7.7	7.4	High and Volatile	May
Taiwan, R.O.C.	4.4	2.1	5.4	5.4	Falling	Aug.
Korea, R.O.K.	8.1	6.5	11.0	9.8	High but Falling	Aug.
New Zealand	11.8	5.9	6.4	5.4	Rising	Aug.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

Implications of an International Recession

One of the factors that distinguishes recessions from mere slowdowns and severe recessions from more moderate versions is the tendency for serious recessions to be international in scope. In the present case, declines in overall economic activity are becoming widespread internationally. As the chart shows, in August and September the percentage of rising leading indexes among the eleven nations covered in this publication has fallen well below 50 percent for the first time since 1982.

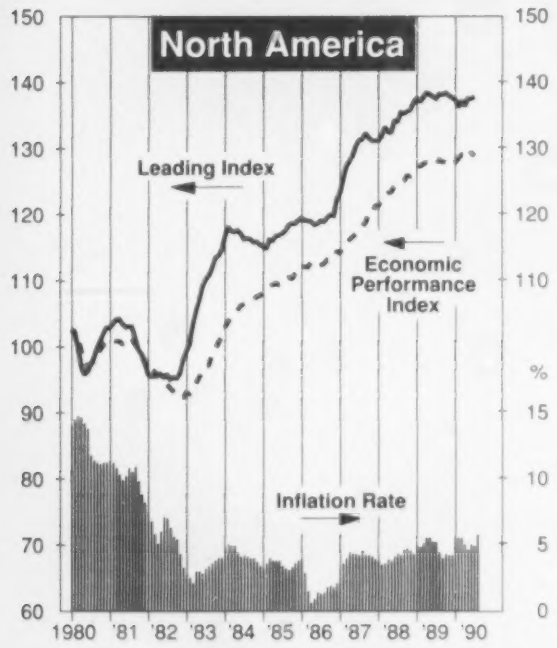
Every recession in the U.S. Economy since 1956 has become international in scope, though to a lesser degree in the mild recessions of 1960-61, 1969-70, and 1980. If we measure the severity of recessions by the percentage decline in real GNP, we find a close relation between the international scope of recessions and their severity in the United States.

The latest plot on this chart is based on preliminary data, but preliminary indications for later months, which include the effects of the Persian Gulf crisis, strongly suggest that this intenational cycle will be at least average in scope and severity.

A widespread international recession has depressing implications for U.S. exports. In each of the three mild recessions since 1957 the growth of exports of goods and services slowed to one or two percent on a year-over-year basis. In each of the three sharp recessions the volume of exports declined, on average, by eight percent. The recent decline in the dollar exchange rate may alleviate the situation somewhat, but reversing the effect of an international recession is no small task.

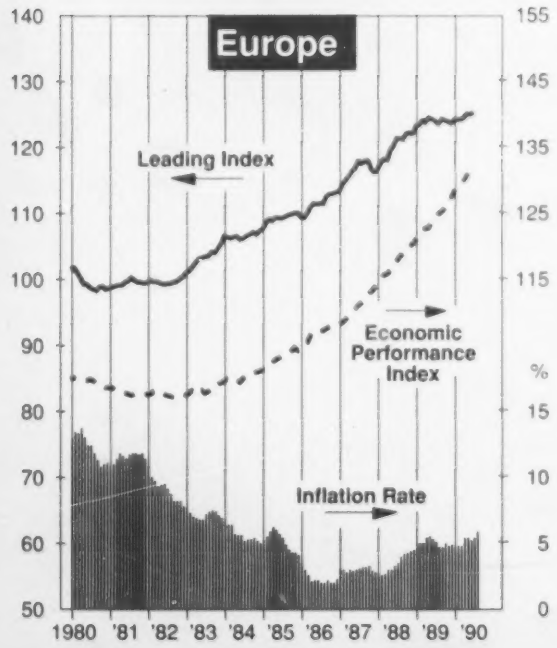
Regions

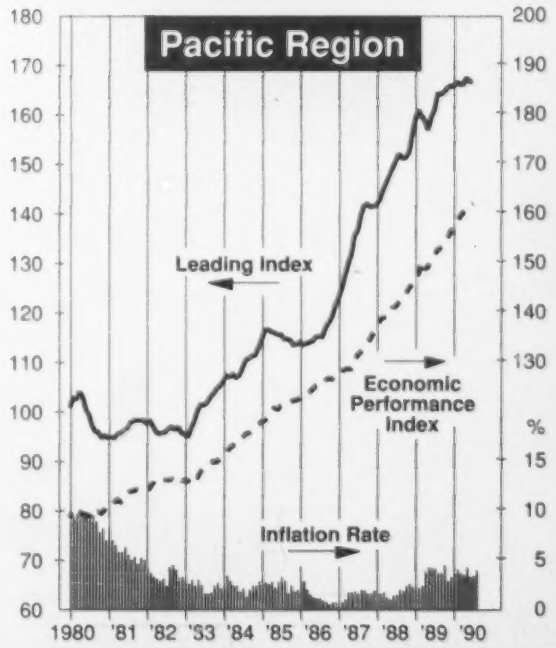
North America shows the greatest cyclical weakness: The recession-warning lights are shining bright red in Canada and flickering in the United States. Inflation showed a big jump recently in the U.S., but not yet in Canada.

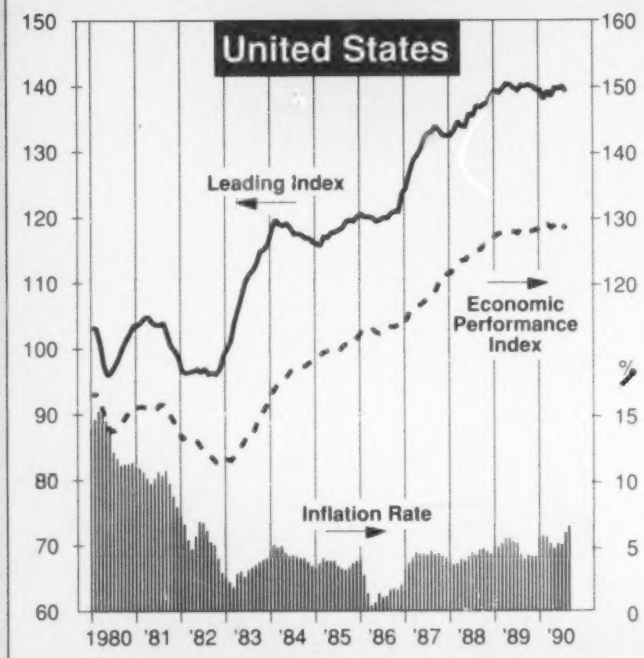


In the rest of the world, the risk of recession seems highest in the other English-speaking countries: Australia, with its performance index down 3 percent in July and August, following more than a year of decline in its leading index, is the most prominent case. New Zealand and the United Kingdom also have indexes that are lifeless or declining. The one non-English-speaking country showing similar weakness is Taiwan. Elsewhere, the long cyclical expansion continues, although the leading indexes (except in Germany) are torpid.

Inflation is accelerating in North America and Europe. In the Pacific Region, however, a falling rate in Australia and New Zealand is offsetting increases in Japan and Taiwan.





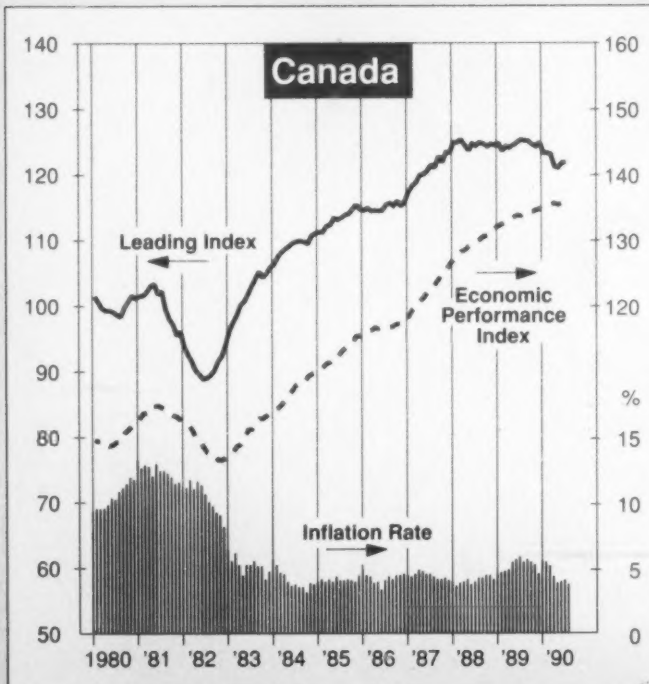


Sluggish or Worse

Both U.S. business-cycle indexes declined a point in August. Both have been stuck around their present levels for a year and a half now, pointing to more dull, sluggish economic performance in the period ahead.

Since the new spurt of oil prices hit in August, however, a sluggish economy is about the best that can be expected. Most early-warning indicators for September and October—those available to date, especially stock prices and consumer sentiment—are signaling more pronounced weakness ahead. They are, in other words, hinting not just at a flat trend but a recession.

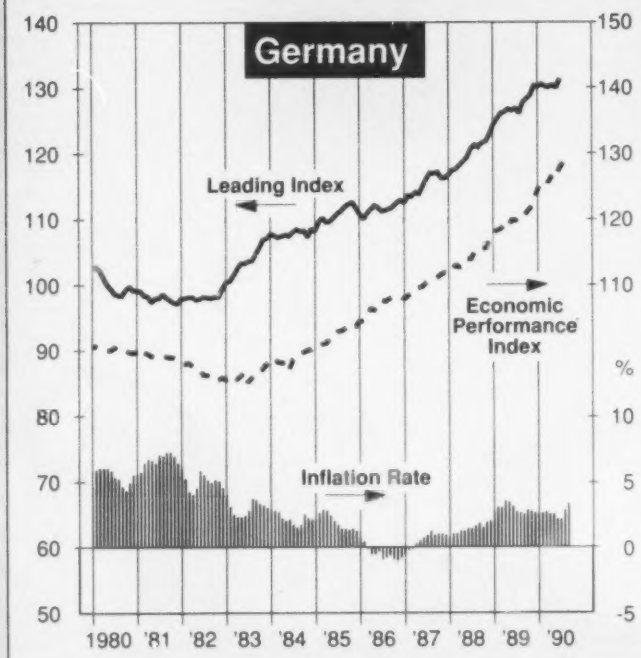
The oil hike has added a bubble to the inflation rate, but with the economic expansion lacking stamina the acceleration should be short lived.



Recession or Close

The Canadian leading index has been declining for a year, although very gradually, and the country has probably been in or on the border of a recession for a few months now. Because petroleum extraction is so important to Canada, the economy will benefit from the additional income and increased drilling activity that higher oil prices bring, but this stimulus will be fully offset by the loss of demand from consumers and non-oil business firms.

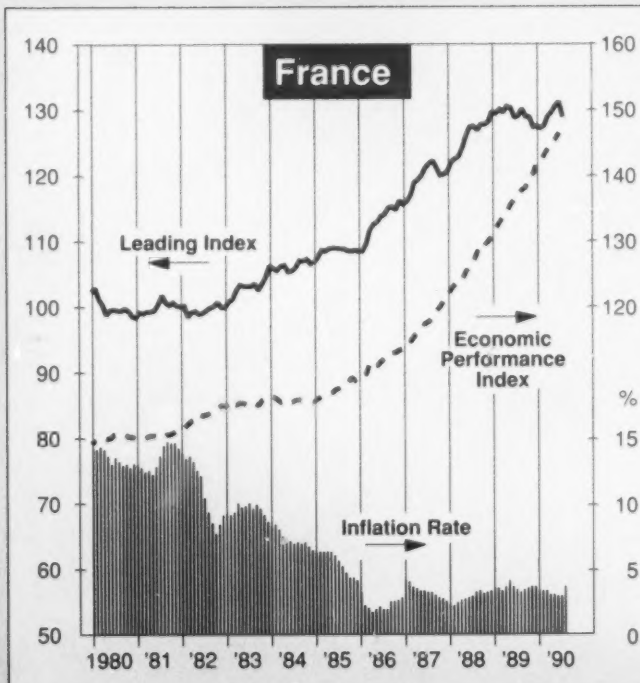
The inflation rate has been steady or falling because of the weak economy, but will get a temporary boost when the price indexes catch up with the oil-price increase.



Good Times Ending?

The German indexes continue moderately favorable through July. The economic performance index is climbing sturdily, and the leading index keeps inching ahead. The subsequent severe decline in stock prices, however, tells us that many think the good times are over.

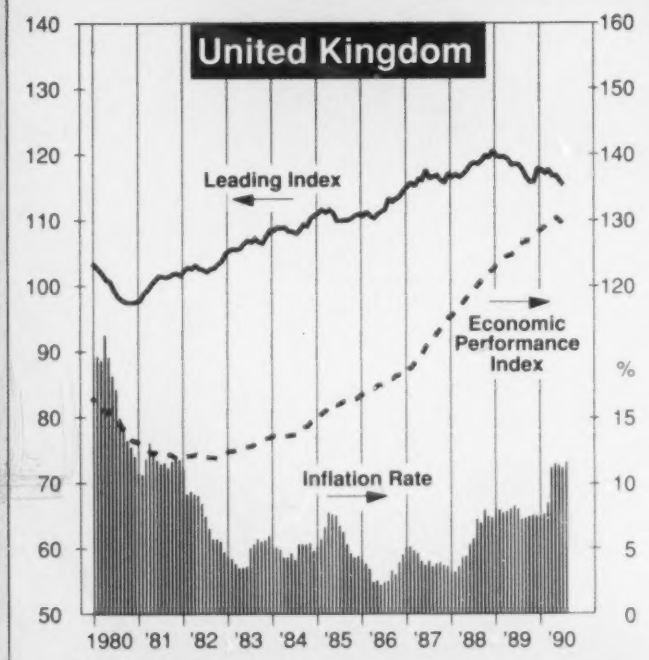
Inflation, though still very modest by world standards, is now showing the effect of escalating oil prices.



Optimism Scarce

Through the latest readings, the French economy, like Germany, continues to expand briskly. But unlike Germany, the leading index has not improved for more than a year and a half. Between that evidence and what's happened to oil prices, it's difficult to find optimists about the direction of the French business cycle.

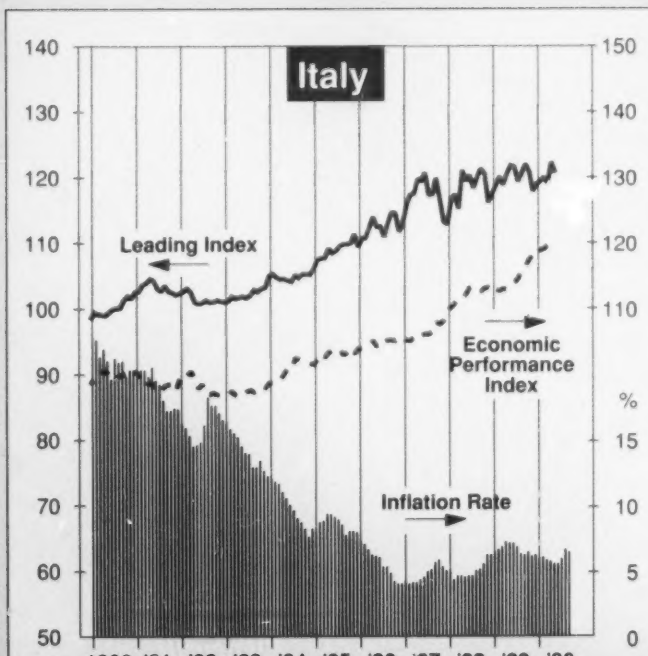
Inflation is accelerating moderately, and more can be expected as the hike in oil-prices works its way through the economy.



Discouraging Numbers

The U.K. performance index started down at mid-year the leading index has been declining slowly for 18 months. It's a discouraging set of numbers all around, to which the unfavorable implications of higher oil prices must be added.

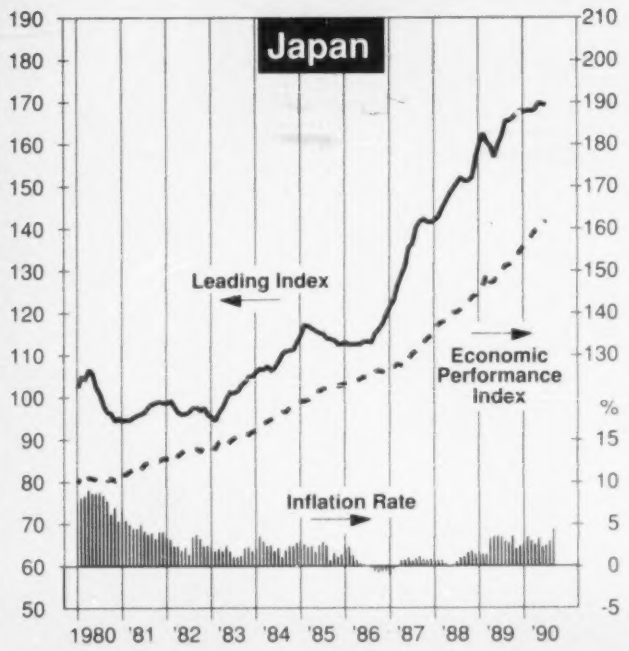
The U.K. inflation rate is the worst of these eleven industrial economies--the only one at double digit rates-- and has increased substantially over the past half year.



Sour Stock Market

The Italian indexes are very much like the French, with economic activity still expanding pretty nicely but the leading index unchanged for more than a year. As usual the data are late, but the one series available through September, common stock prices, is as sour for Italy as everywhere else.

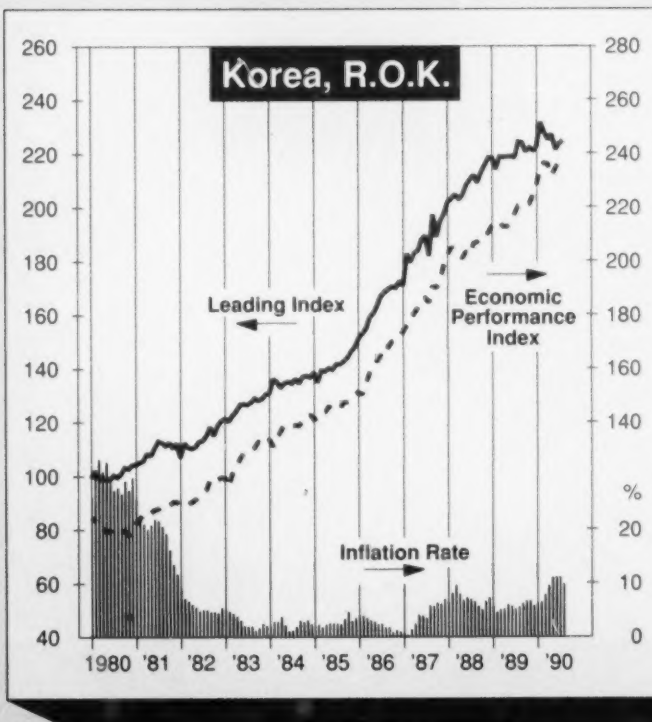
The Italian price index, however, is up to date, and it, too, tells the unhappy story of accelerating inflation.



Gloomy Signals

The cyclical story for Japan is better than most—or at least that was true through July. The performance index continued to climb robustly and the leading index slowly. Since then the stock market—here as everywhere—has been sending out gloomy signals.

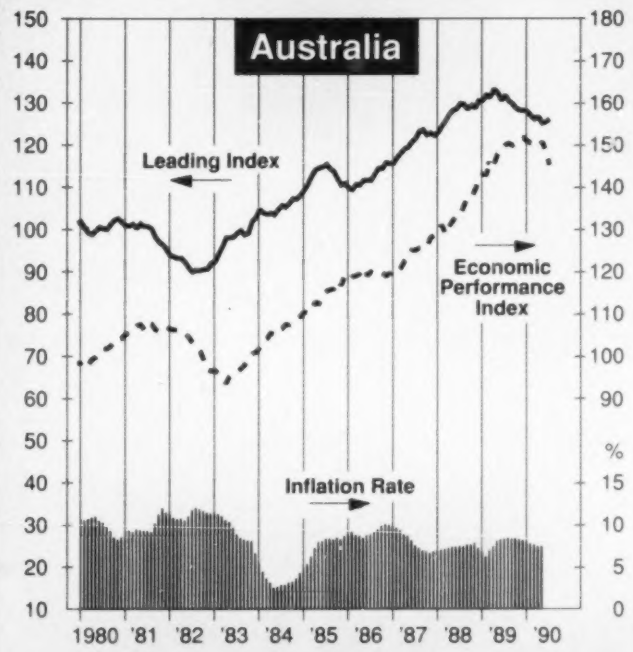
Japanese inflation, under good control until recently, is now heading higher. Oil prices are the main culprit, of course.



Spasmodic Evidence

The Korean economy faltered this past spring, but over the summer recovered the lost ground. The leading index, however, has leveled off this year, suggesting that economic expansion will not soon return to its usual vigorous pace.

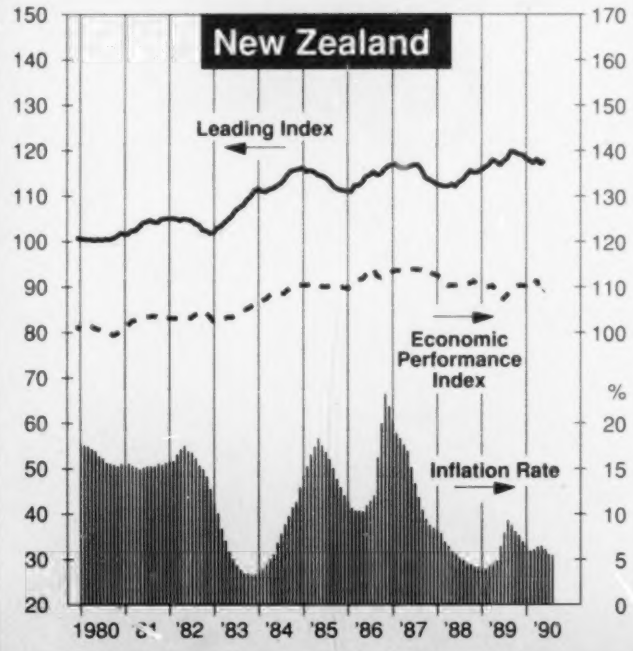
The Korean inflation rate is high, but has been bouncing around oddly this year, so that it's difficult to understand its direction.

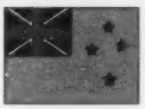


More Distress Ahead

In Australia, production, retail sales and unemployment all fell sharply in July and August. The leading index recovered a point in August, but its previous decline—6 percent over 14 months—suggests that further economic distress lies ahead.

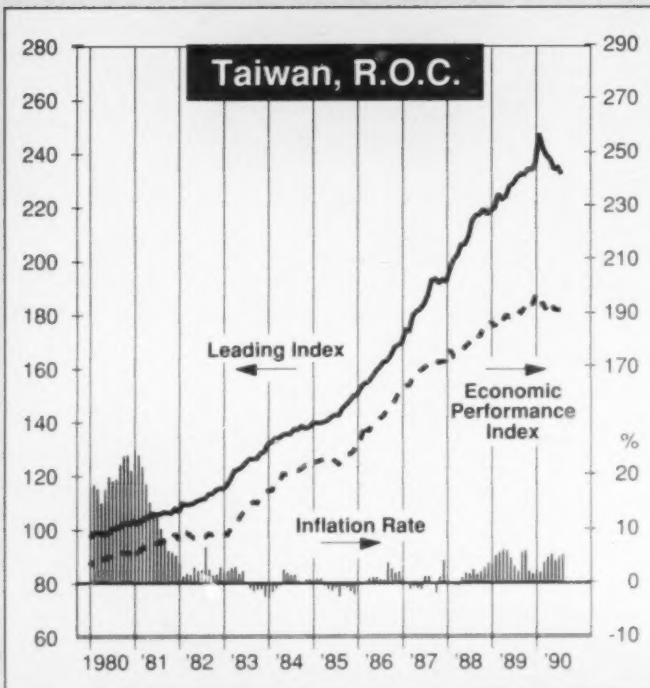
The economic weakness has one recompense, however: The rate of inflation has subsided a little.





Bumping Along

The Kiwi economy continues to bump along at an unsatisfactory level, not weakening further but without signs of recovery either. The inflation rate has been falling slightly.



Sagging Statistics

Taiwan's economy has been flat to slightly down all year. Since the spring, furthermore, the leading index has sagged noticeably, suggesting that the cyclical weakness has not yet run its course.

Despite the soft economy, price inflation has accelerated over the past half year.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, Monitoring Growth Cycles in Market-Oriented Countries, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Philip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates, are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-90

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	89	131	138	133	137	128	139	123	124	150	160
May	89	131	138	134	137	128	139	123	125	150	158
June	89	132	138	135	138	128	138	124	125	152	160
July	89	132	138	135	138	128	138	124	124	152	162
Aug.	89	133	139	136	139	129	139	125	124	154	165
Sept.	89	133	140	136	139	128	139	126	125	154	165
Oct.	89	133	140	137	139	128	139	126	125	154	165
Nov.	89	134	140	138	139	128	138	127	124	156	166
Dec.	89	134	139	139	139	129	138	128	124	157	166
Jan.	90	135	140	140	140	128	138	129	125	158	166
Feb.	90	136	139	140	140	129	137	130	125	159	167
Mar.	90	136	140	141	140	129	138	130	125	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	141	129	138	131	126	161	168
June	90	138	140	143	140	130	138	132	126	162	168
July	90	138	140	143	140	129	138	132	126	163	167

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	5	5	6	5	4	4	6	4	6	7
May	4	3	5	3	3	3	5	4	6	3
June	4	3	6	4	2	2	6	3	7	6
July	4	3	6	4	2	1	5	2	7	6
Aug.	5	3	6	4	2	2	6	1	7	9
Sept.	4	3	6	4	1	1	5	2	7	8
Oct.	4	3	5	3	1	1	5	1	6	7
Nov.	4	2	6	3	1	1	6	1	7	7
Dec.	4	1	6	2	1	0	6	0	7	6
Jan.	4	1	7	2	0	-1	7	0	7	5
Feb.	4	0	7	2	1	-2	7	0	7	5
Mar.	5	1	7	2	1	-1	7	0	8	4
Apr.	4	0	7	2	1	-2	6	1	6	3
May	4	2	6	2	1	0	6	2	7	4
June	4	1	6	2	2	0	6	1	7	2
July	4	1	6	1	1	1	6	2	7	2
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-90

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.		Korea, R.O.K.		New Zealand	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	89	128	140	133	124	119	126	134	130	124	120	113	119	146	159	145	131	187	223	212	218	110	118
May	89	128	140	133	124	118	127	134	130	124	119	113	120	147	156	145	133	190	224	212	218	110	118
June	89	128	140	134	125	120	126	136	130	125	118	113	122	149	160	147	132	189	226	214	218	109	117
July	89	128	139	134	125	120	127	136	129	125	118	114	122	149	162	148	130	190	229	217	218	108	116
Aug.	89	128	140	134	125	120	126	137	129	126	118	115	119	150	165	149	131	191	231	220	224	107	117
Sept.	89	128	140	134	125	120	128	138	130	126	118	116	121	151	165	150	130	190	232	220	224	108	118
Oct.	89	128	140	134	124	121	128	138	129	127	116	116	122	152	166	149	129	192	232	221	220	109	119
Nov.	89	128	140	134	124	122	129	140	129	127	116	117	121	153	167	150	126	194	234	221	222	110	119
Dec.	89	128	139	135	125	123	130	140	127	128	116	118	118	154	167	151	128	193	234	224	221	110	119
Jan.	90	128	139	135	123	124	130	142	127	128	118	118	119	155	167	151	128	197	236	228	222	110	119
Feb.	90	128	138	135	123	125	130	142	127	129	118	119	120	156	168	150	127	193	247	235	231	110	118
Mar.	90	129	139	135	123	126	130	143	128	129	117	119	120	158	167	150	126	194	242	236	227	110	118
Apr.	90	128	138	136	121	125	130	144	129	130	118	120	119	159	168	150	126	191	239	236	225	110	117
May	90	129	140	135	121	127	130	145	130	130	117	120	122	159	169	149	126	194	238	231	227	111	118
June	90	129	140	136	122	126	130	146	131	130	117		121	161	169	150	125	192	234	234	221	108	117
July	90	129	140	136	122	128	131	146	131	130	116			161	169	148	125	192	234	236	223	109	117
Aug.	90	128	139			128			129	129	115					145	126	192	232	237	224		
		Growth Rates, Percent																					
Apr.	89	4	5	3	-1	6	7	8	3	6	1	1	0	6	7	13	3	5	8	5	6	-1	5
May	89	3	4	4	0	4	7	8	4	5	0	0	2	5	3	11	5	7	7	4	5	0	6
June	89	2	2	2	1	6	5	8	3	5	-1	1	4	7	6	12	4	5	9	4	4	-2	5
July	89	2	1	3	1	5	5	8	0	5	-1	2	3	6	7	11	0	5	8	6	2	-4	2
Aug.	89	2	2	3	1	5	3	6	0	5	-1	3	0	7	10	11	2	5	9	8	7	-5	3
Sept.	89	1	1	3	1	4	5	8	2	5	-3	4	1	6	9	10	0	4	9	7	6	-3	4
Oct.	89	1	1	2	0	4	5	7	-1	5	-4	5	4	6	8	8	-1	5	7	7	2	-1	5
Nov.	89	1	1	2	-1	5	5	8	-1	4	-5	6	2	7	8	7	-3	6	8	5	3	1	5
Dec.	89	1	0	2	0	6	6	7	-3	5	-4	7	-3	7	7	7	-4	4	7	8	1	1	3
Jan.	90	0	0	2	-2	7	5	8	-3	4	-1	6	-2	8	6	6	-4	7	7	10	2	2	3
Feb.	90	1	-2	2	-2	8	5	8	-3	4	-1	6	-1	8	5	4	-4	3	15	15	10	1	1
Mar.	90	1	-1	2	-2	8	4	8	-2	4	-1	6	0	8	5	2	-5	2	9	14	5	2	0
Apr.	90	0	-2	2	-5	6	3	8	0	5	0	6	-2	9	4	1	-5	-1	5	12	2	1	-2
May	90	1	0	1	-4	7	3	8	1	4	-1	5	3	8	5	0	-4	2	3	7	4	4	0
June	90	2	0	1	-3	5	2	7	3	4	-1		0	8	4	1	-5	-1	-1	8	-2	-2	-2
July	90	1	1	1	-3	7	3	7	4	3	-2			8	2	-2	-4	-1	-1	8	0	0	-1
Aug.	90	0	-1			7			0	2	-3					-6	-3	-1	-3	7	1		
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	3	3	8	8	7	7	2	2

R4105-6

The Conference Board

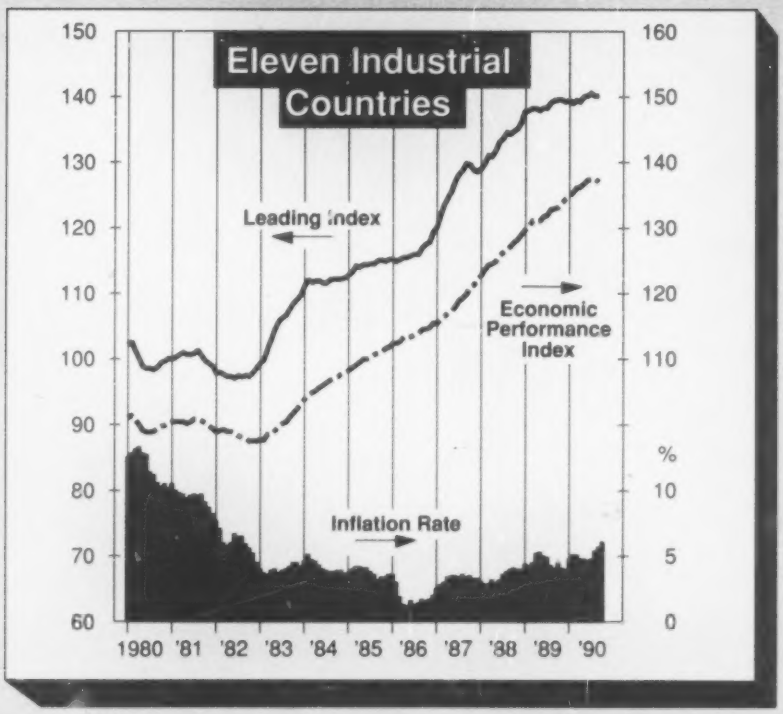
Volume 12, Number 12 November/December 1990

International Economic Scoreboard

INSIDE:

- **Recession or Slow Growth Ahead for Most Countries**
- **Inflation — Still Rising but Outlook Seems Better**
- **Three Countries Going in Different Directions — Germany, Japan, and Australia**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	5	4	2	1	1	1	Expansion continuing, leaders weak	Sept.
Ten countries (U.S. excl.)	3	7	6	4	2	2	1	Expansion continuing, leaders weak	Sept.
North America (2)	3	1	2	-1	-1	0	0	Expansion stopped, leaders weak	Sept.
Europe (4)	2	7	6	4	0	1	2	Expansion continuing	Sept.
Pacific Region (5)	4	7	7	4	4	3	0	Expansion continuing, leaders weak	Sept.
United States	3	0	1	-2	-2	1	-1	Expansion stopped, leaders weak	Oct.
Canada	3	2	1	-1	-2	-4	-2	Expansion stopped, leaders weak	Sept.
Germany	2	6	7	5	4	3	5	Expansion continuing	Oct./Sept.
France	2	8	7	6	1	4	0	Expansion continuing, leaders weak	Sept./Oct.
United Kingdom	2	5	3	1	0	-2	0	Expansion stopped, leaders weak	Oct.
Italy	2	6	4	3	0	-1	3	Expansion continuing	Aug./Sept.
Japan	4	9	8	5	2	3	-1	Expansion continuing, leaders weak	Oct.
Australia	3	2	-2	-6	-6	-6	-7	Expansion stopped, leaders weak	Oct.
Taiwan, R.O.C.	8	-1	-1	1	5	-1	-4	Expansion stopped, leaders weak	Oct.
Korea, R.O.K.	7	13	7	7	2	2	3	Expansion continuing	Sept./Oct.
New Zealand	2	2	-1	-3	-1	-3	-4	Upturn stopped, leaders weak	Sept.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Sluggishness Persists

The global business cycle continues to go nowhere. The 11-country performance index shows a below-trend 2 percent growth rate and the leading index — as it has been doing all through 1990 — is creeping upward at just 1 percent. This pattern seems more like a trance than a business cycle.

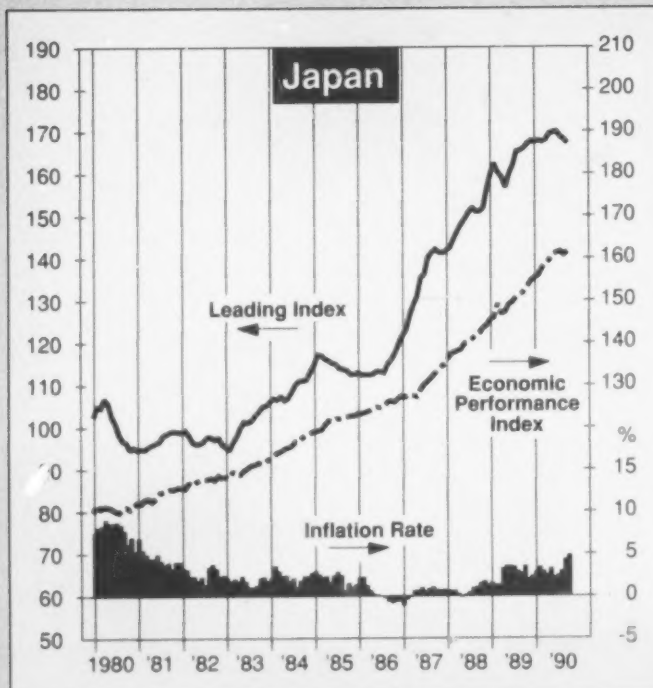
Not so inflation. The surge of oil prices is pushing the general price level higher almost everywhere except in parts of Asia. Through October, the 11-country inflation rate is 6.1 percent, up from 4.8 percent six months ago. However, a recent decline in spot crude oil prices suggests that the acceleration of general inflation will soon give way to a slowdown, especially if the global economy stays soft.

Nationally, weakness in the leading indexes is the prevailing pattern. The rate of change is zero in France and the United Kingdom, -1 percent in the United States and Japan, -2 percent in Canada, and -4 percent in Taiwan and New Zealand. Australia, where the leading index is falling at a 7 percent rate, is again the economy with the steepest and most persistent weakness (see page 4). The exceptions on the plus side are Germany (see page 5), Italy and Korea. The most significant change in direction since our last report took place in Japan (see page 4).

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.8	4.8	6.1	Rising	Oct.
Ten countries (U.S. excl.)	5.2	4.5	4.4	5.8	Rising	Oct.
North America (2)	5.6	5.0	4.9	6.5	Rising	Oct.
Europe (4)	6.6	5.4	5.4	6.5	Rising	Oct.
Pacific Region (5)	3.4	3.5	3.3	5.2	Rising	Oct.
United States	5.5	4.7	5.9	6.2	Rising	Nov.
Canada	6.5	4.3	4.0	5.1	Rising	Oct.
Germany	2.9	2.5	2.8	3.1	Rising	Nov.
France	7.3	3.0	2.9	4.6	Rising	Oct.
United Kingdom	7.3	11.1	11.1	11.1	High but Steady	Oct.
Italy	11.2	5.5	6.6	6.8	Rising	Nov.
Japan	2.5	2.5	2.4	4.8	Rising	Oct.
Australia	8.4	7.7	7.4	5.1	Falling	Aug.
Taiwan, R.O.C.	4.4	4.8	4.9	4.3	Falling	Oct.
Korea, R.O.K.	8.1	11.0	9.8	8.6	High but Falling	Nov.
New Zealand	11.8	5.9	6.4	5.4	Falling	Aug.

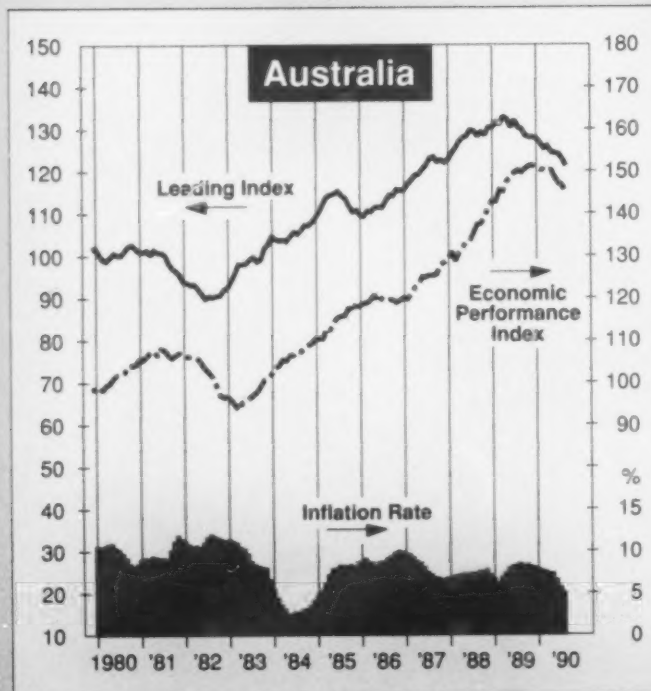
* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.



Discouraging Omens

Prospects for continued advances in the Japanese economy have soured markedly in the past three months. The leading index, which was still expanding modestly through July, has slumped 2 percent through October. Among the component series that make up the leading index, the biggest loser was common stock prices, but business failures, new orders for machinery and construction, and new-dwelling-units-started all contributed to the decline.

The inflation rate also took a turn for the worse, accelerating to a 4.8 percent rate in October, Almost double the figure six months earlier. Oil prices were the main cause, and that effect isn't likely to last long. Even if only temporary, however, it darkens the outlook. Both the leading index and the inflation signals are consistent with a recent survey of chief executives of Japanese companies, 71 percent of whom said they expect Japan's long expansion to end during 1991.



Onward and Downward

The cyclical indexes for Australia are once again the bleakest of our 11 industrial countries. The performance index is down 4 percent since its peak in January 1990, while the leading index has been dropping since May of 1989 — down 9 percent in 17 months. This continuing drop in the leaders, which intensified in September and October, suggests the Australian recession has yet to run its full course.

About the only encouraging sign is the slowdown in inflation — 5.1 percent in August, down from 7.7 percent half a year earlier. It's not much, but even small blessings must be counted.

Bright Spot

Germany is the one bright star in the economic firmament. Despite some statistical choppiness here and there since the crisis in the Persian Gulf began, the German data still look favorable. Both the performance index and the leading index continue to rise at a sturdy 5 percent rate. For the leading index, the contrast with neighboring France and the United Kingdom is remarkable; at the latest reading, the leading index of each of those countries shows a zero percent change.

Additionally, the German inflation performance continues to outshine the rest of the world. Despite the surge in oil prices, German inflation has accelerated only moderately and, at 3.1 percent, remains below all the other economies reported here.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, Monitoring Growth Cycles in Market-Oriented Countries, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Philip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates, are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-90

		11 Countries		10 Countries excl. U.S		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	89	132	138	135	138	128	138	124	124	152	162
Aug.	89	133	139	136	139	129	139	125	124	153	165
Sept.	89	133	140	136	139	128	139	126	125	154	165
Oct.	89	133	140	137	139	128	139	126	125	154	165
Nov.	89	134	140	138	139	128	139	127	124	156	166
Dec.	89	134	139	139	139	129	138	128	124	157	167
Jan.	90	135	140	140	140	128	138	129	125	158	166
Feb.	90	136	139	140	140	129	136	130	125	159	167
Mar.	90	136	140	141	140	129	138	130	125	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	138	131	126	161	168
June	90	137	140	143	141	130	138	132	126	162	168
July	90	138	141	143	141	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	139	132	126	163	167
Sept.	90	137	140	143	140	128	138	132	126	162	166
		Growth Rates, Percent									
July	89	4	3	6	4	2	1	5	2	7	6
Aug.	89	5	3	6	4	2	2	6	1	7	9
Sept.	89	4	3	6	4	1	2	5	2	7	8
Oct.	89	4	3	5	3	1	1	5	1	6	7
Nov.	89	4	2	6	3	1	1	6	1	7	7
Dec.	89	4	1	6	2	1	0	6	0	7	6
Jan.	90	4	1	7	2	0	–1	7	1	7	5
Feb.	90	4	0	6	2	1	–3	7	1	7	5
Mar.	90	5	1	7	2	1	–1	7	0	7	4
Apr.	90	4	0	7	2	1	–2	6	1	8	3
May	90	4	1	6	2	1	0	6	1	7	4
June	90	4	1	6	2	2	0	6	1	7	3
July	90	4	2	6	2	1	1	6	2	7	2
Aug.	90	3	1	5	1	1	1	5	1	6	1
Sept.	90	2	1	4	1	–1	0	4	2	4	0
		Ten Year Annual Growth Rate, Percent									
1976-86		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-90

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.		Korea, R.O.K.		New Zealand	
		Indexes, 1980 = 100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	89	128	139	134	125	120	127	136	129	125	118	114	122	149	162	148	130	190	229	217	218	107	116
Aug.	89	128	140	134	125	120	126	137	129	126	118	115	119	150	165	149	132	191	231	220	224	107	117
Sept.	89	128	140	134	125	120	128	138	130	126	118	116	121	151	165	150	130	190	232	220	224	108	118
Oct.	89	128	140	134	124	121	128	138	129	127	116	116	122	152	166	149	130	192	232	222	220	108	119
Nov.	89	128	140	134	124	122	129	140	129	127	116	117	121	153	167	150	128	194	234	221	222	109	119
Dec.	89	128	139	135	125	123	130	140	128	128	116	118	118	154	167	151	128	193	234	224	221	110	119
Jan.	90	128	139	135	123	124	130	142	128	128	118	118	119	155	167	151	128	197	236	228	222	110	119
Feb.	90	128	138	135	123	125	130	142	127	129	118	119	119	156	168	150	127	193	247	234	231	110	118
Mar.	90	129	139	136	123	126	130	143	128	129	117	119	120	157	167	150	126	194	242	235	227	110	117
Apr.	90	128	138	136	120	125	130	144	129	130	118	119	119	158	168	150	125	191	239	236	225	110	117
May	90	129	140	135	120	127	130	145	130	130	117	119	121	159	169	150	126	194	238	232	227	112	117
June	90	129	140	135	121	127	131	145	131	130	117	120	119	160	170	150	124	192	234	234	223	109	116
July	90	129	140	135	121	128	132	147	132	130	116	119	120	161	170	148	124	191	234	236	226	109	116
Aug.	90	129	140	135	121	129	133	147	130	129	116	120	116	161	168	147	124	191	233	237	227	109	116
Sept.	90	128	140	134	121	128	134	147	129	130	116		122	160	168	146	123	192	229	238	230	108	115
Oct.	90	127	138			129			129	129	117			161	167	145	121	194	231		229		
		Growth Rates, Percent																					
July	89	2	1	3	1	5	5	8	0	5	–1	2	3	6	7	11	1	5	8	6	2	–4	2
Aug.	89	2	2	3	1	5	3	8	0	5	–1	3	0	7	10	11	3	5	9	8	7	–5	3
Sept.	89	1	2	3	1	4	5	8	2	5	–3	4	2	6	9	10	0	4	9	6	6	–3	4
Oct.	89	1	2	2	0	4	5	7	–1	5	–4	5	4	6	8	7	–1	5	7	7	2	–1	5
Nov.	89	1	1	2	–1	5	5	8	–1	4	–5	6	2	7	8	7	–3	6	8	5	3	0	5
Dec.	89	1	0	2	0	6	6	7	–3	5	–4	7	–3	7	7	7	–4	4	7	8	1	1	3
Jan.	90	0	–1	2	–2	7	5	8	–2	4	0	6	–1	7	6	6	–4	7	7	10	2	2	3
Feb.	90	1	–3	2	–2	8	5	8	–3	4	–1	7	–1	7	5	4	–4	3	15	14	10	2	1
Mar.	90	1	–1	2	–2	8	4	8	–2	4	–1	6	0	8	5	2	–6	2	9	13	5	2	–1
Apr.	90	0	–2	2	–5	6	3	8	1	5	0	5	–1	9	4	2	–6	–1	5	12	2	2	–2
May	90	1	0	1	–5	7	3	8	1	4	–1	4	2	8	5	0	–5	2	3	7	4	5	–2
June	90	2	0	1	–4	6	3	7	3	4	–1	4	–1	8	4	1	–6	–1	–1	7	0	–1	–3
July	90	1	1	1	–3	7	5	8	4	3	–2	3	–1	8	3	–2	–6	–1	–1	8	2	1	–2
Aug.	90	1	1	0	–3	8	5	7	2	1	–2	3	–5	7	1	–4	–5	–2	–3	7	2	0	–3
Sept.	90	–1	0	–1	–2	6	5	6	0	1	0		3	5	0	–4	–6	–1	–5	7	4	–3	–4
Oct.	90	–2	–1			5			0	1	0			5	–1	–6	–7	1	–4		3		
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	3	3	8	8	7	7	2	2

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The Conference Board

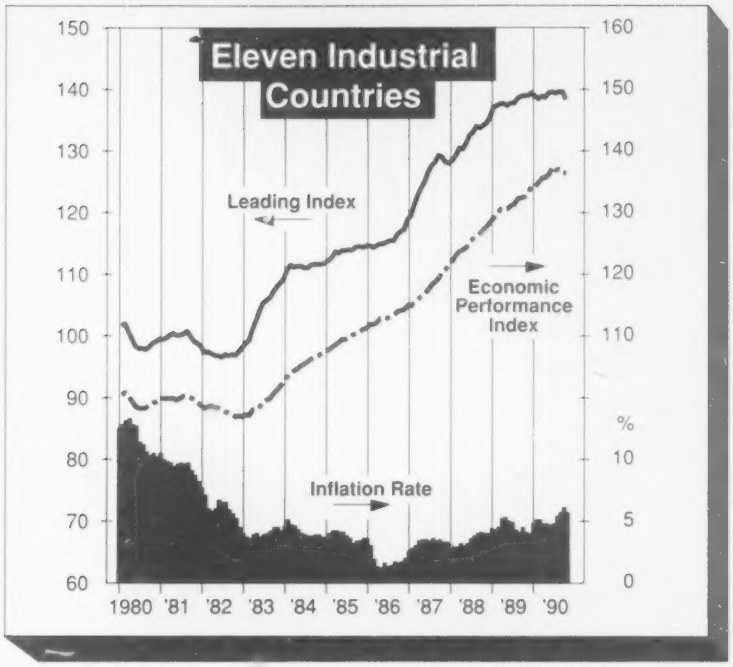
Volume 13, Number 1 January 1991

International Economic Scoreboard

INSIDE:

- **Global Economic Slowdown Confirmed**
- **Inflation Subsiding a Bit After Oil Price Surge**
- **Downturn in the U.S. — How Severe?**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	4	4	1	1	1	-1	Expansion stopped, leaders weak	Oct.
Ten countries (U.S. excl.)	3	7	6	3	2	2	0	Expansion continuing, leaders weak	Oct.
North America (2)	3	1	1	-2	-2	1	-1	Expansion stopped, leaders weak	Oct.
Europe (4)	2	6	6	4	1	2	1	Expansion continuing, leaders weak	Oct.
Pacific Region (5)	4	8	7	4	3	2	-2	Expansion continuing, leaders weak	Oct.
United States	3	1	0	-4	0	1	-4	Expansion stopped, leaders weak	Nov.
Canada	3	2	1	-2	-5	-3	-3	Expansion stopped, leaders weak	Oct.
Germany	2	6	7	6	3	4	5	Expansion continuing	Oct.
France	2	8	8	5	0	1	1	Expansion continuing, leaders weak	Oct./Nov.
United Kingdom	2	4	3	1	-1	-3	-1	Expansion stopped, leaders weak	Oct./Nov.
Italy	2	5	3	1	1	1	-2	Expansion stopped, leaders weak	Oct.
Japan	4	8	7	5	5	0	-2	Expansion continuing, leaders weak	Nov.
Korea, R.O.K.	7	8	8	3	4	3	5	Expansion continuing	Nov.
Australia	3	0	-4	-11	-5	-5	-4	Recession continuing	Nov.
New Zealand	2	2	-3	0	-2	-2	-5	Leaders weak	Oct.
Taiwan, R.O.C.	8	2	-2	2	3	-3	-1	Expansion resumed, leaders weak	Nov.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Drifting Into Recession

The global business cycle continues to settle in the direction of recession. The growth rate for the 11-country economic performance index is down to 1 percent, the slowest in 8 years, while the leading index is **falling** at a 1 percent rate, its first descent into negative territory since 1982.

The weakness in the 11-country indexes stems from an international broadening of the downturn rather than from a more intense decline in a few countries. At latest readings, the leading indicators are losing ground in 8 of 11 countries, compared with 6 that were on the decline a month ago. This is the most widespread pattern of weakness since 1974.

Worries about inflation are easing just a bit, thanks both to the passing of the surge in oil prices, now mostly behind us, and to the business-cycle weakness making it tougher for sellers to get price hikes to stick. The latest 11-country inflation rate, although still higher than 3 or 6 months ago, dropped almost half a point from October to November. Over the past month, furthermore, the number of countries with a lower inflation rate now than 3 months earlier has increased from four to seven.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.8	5.4	5.7	Rising	Nov.
Ten countries (U.S. excl.)	5.2	4.5	4.9	5.2	Rising	Nov.
North America (2)	5.6	4.6	5.8	6.1	Rising	Nov.
Europe (4)	6.6	5.4	5.9	5.5	Volatile	Nov.
Pacific Region (5)	3.4	4.2	3.8	4.7	Rising	Nov.
United States	5.5	5.1	6.4	5.8	Volatile	Dec.
Canada	6.5	3.8	3.8	5.5	Rising	Nov.
Germany	2.9	2.1	3.2	2.9	Volatile	Dec.
France	7.3	3.0	3.6	3.9	Rising	Nov.
United Kingdom	7.3	11.4	11.5	8.3	High but Falling	Nov.
Italy	11.2	5.5	6.4	6.6	Rising	Dec.
Japan	2.5	3.2	3.1	4.5	Rising	Nov.
Korea, R.O.K.	8.1	11.0	9.8	8.6	High but Falling	Nov.
Australia	8.4	7.7	7.4	5.1	Falling	Aug.
New Zealand	11.8	5.9	6.4	5.4	Falling	Aug.
Taiwan, R.O.C.	4.4	5.4	5.4	2.3	Falling	Nov.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

In the United States — How Deep a Recession?

How severe the recession will be is the question most frequently asked about the current U.S. business cycle. Most analysts are on the optimistic side, arguing that (1) tight control of inventories and (2) sustained growth in exports — because of the advantageous position the depressed dollar provides for American producers in world markets — will mean a comparatively mild recession. The pessimists worry that the international scope of the recession and the strained capital position of many U.S. banks — which may restrict the credit needed to finance cyclical recovery — will lengthen and deepen the recession.

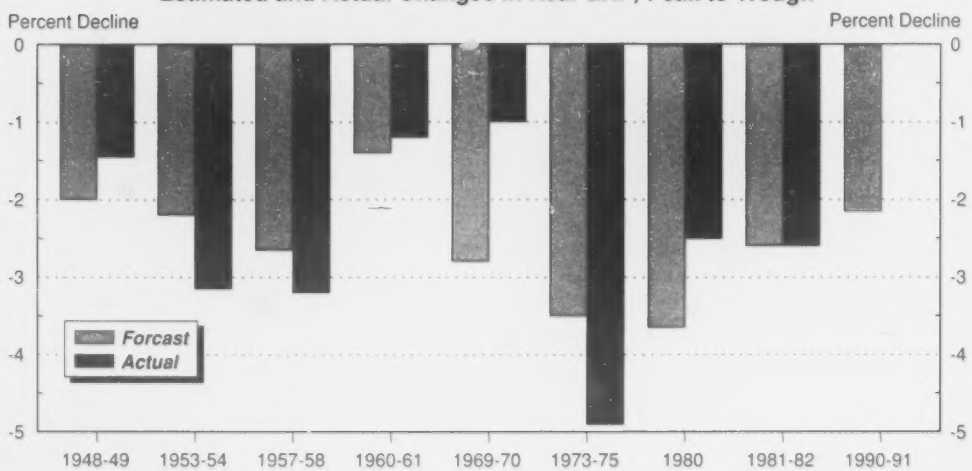
Some research conducted recently at the Center for International Business Cycle Research can be used to test these sentiments. The analysis makes use of the Center's Long Leading Index (see the Third Quarter 1990 *Scoreboard*, p. 5), which historically has peaked in advance of the overall economy and has started to rebound before the recession has ended. Accordingly, the decline in this index for the period from just before the downturn into the early months of recession should give an early indication of the decline in GNP. Specifically, the Center's analysis compares the percentage decline in the Long Leading Index from 5 months before to 5 months after the cyclical peak against the decline in GNP over the whole recession.

The results of this analysis are depicted in the chart below, which shows the actual and estimated decline in GNP for each of the eight recessions since 1948. The estimates are on target in some instances, not especially accurate in others; overall, the relationship is reasonable but certainly not precise.

The forecast for the 1990-91 recession is shown at the right end of the chart — a projected decline in GNP of 2.2 percent. This would make it a recession of moderate severity, not as mild as the mildest in our sample, nor as severe as the worst. But since the historical relationship on which this calculation is based is somewhat imprecise, maybe we'd better wait for this economic slowdown to run its course before deciding whether it is the optimists or the pessimists who should feel embarrassed about their forecasts.

Forecasting the Depth of Recessions

Estimated and Actual Changes in Real GNP, Peak to Trough



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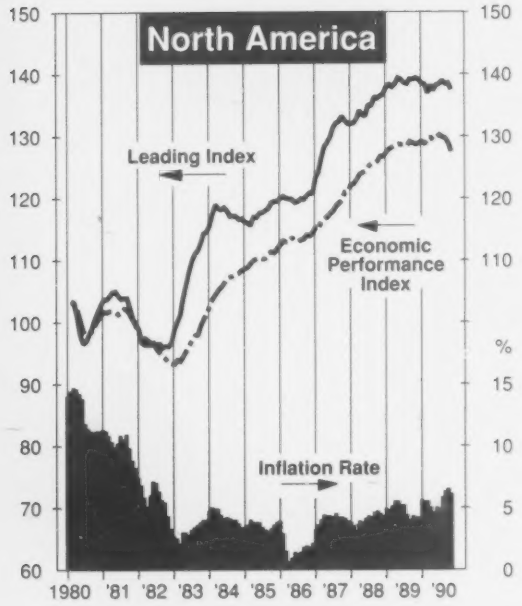
Widespread Weakness

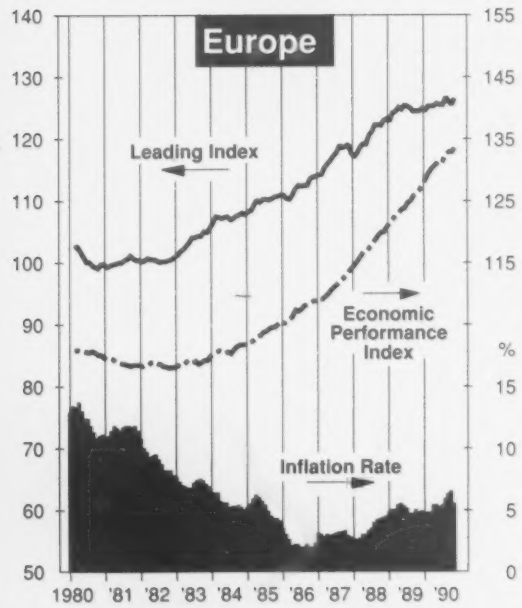


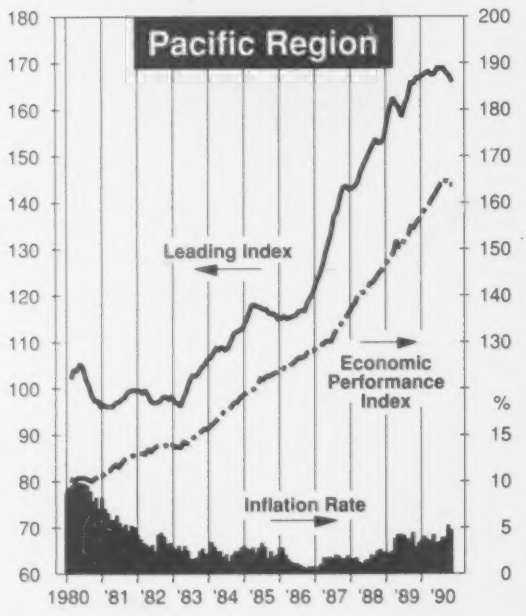
The regional series reflect the more widespread weakness mentioned earlier. In North America, both the leading and performance indexes are down from their peaks noticeably—hardly surprising when both the U.S. and Canadian economies are in a downturn.

In the Pacific region, over the past 3-4 months, the leading index is down a couple percent, with 4 of the 5 countries contributing to the weakness. The performance index for the region is flat, however.

Thanks to Germany, the outlook in Europe is not as bleak as in the other two regions. But prospects aren't favorable, either; note, for example that the European leading index has almost leveled off.

The inflation pattern is similar in all three regions: The general price level accelerated in August and September with the surge of oil prices, but the pace slowed down a bit in October. Some further easing can be expected in the months ahead —everywhere because of the drop in oil prices, and almost everywhere because of the business-cycle downturn.

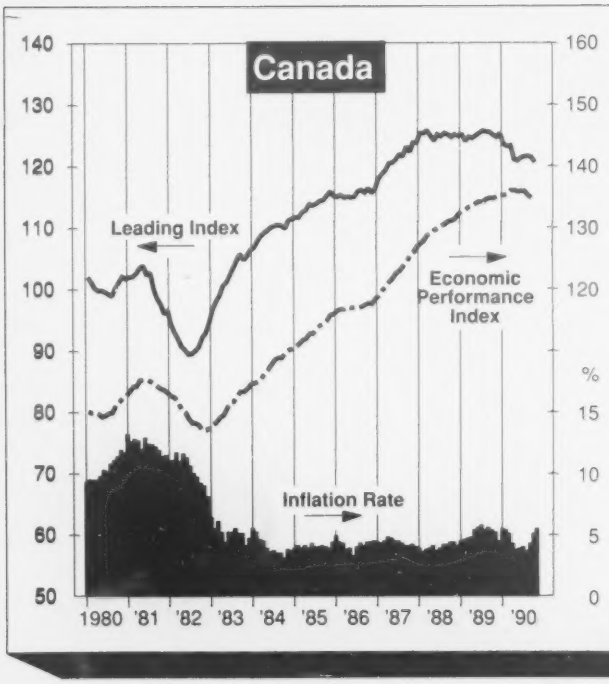




A Confirming Drop in the Indexes

Both U.S. cyclical indexes dropped sharply in November, confirming the slowdown that began over the summer. The drop was widespread, too; of the nine leading-index components that were available for November, seven declined. The pronounced exception was common stock prices.

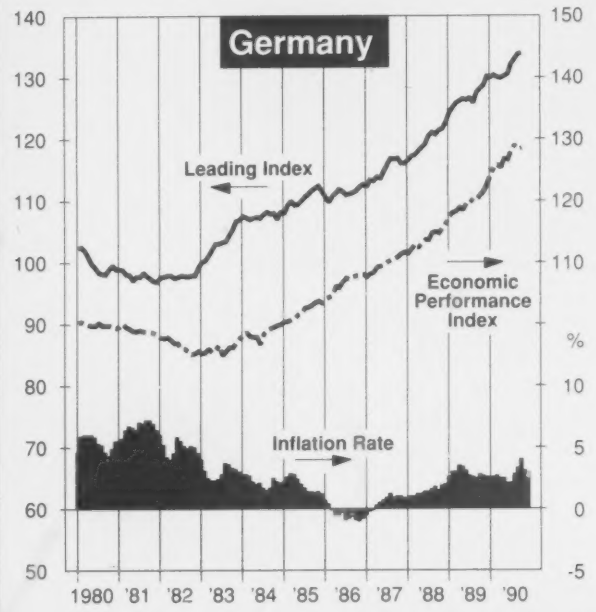
For the standard reasons — oil prices and the economic downturn — the U.S. inflation rate slowed in December for the second month in a row.



More of the Same

The Canadian leading index has been sluggish and then falling longer than its U.S. counterpart, but the two performance indexes (Canada and U.S.) trace a more nearly identical pattern. Data on Canadian employment and unemployment for both November and December show the cyclical downswing continuing.

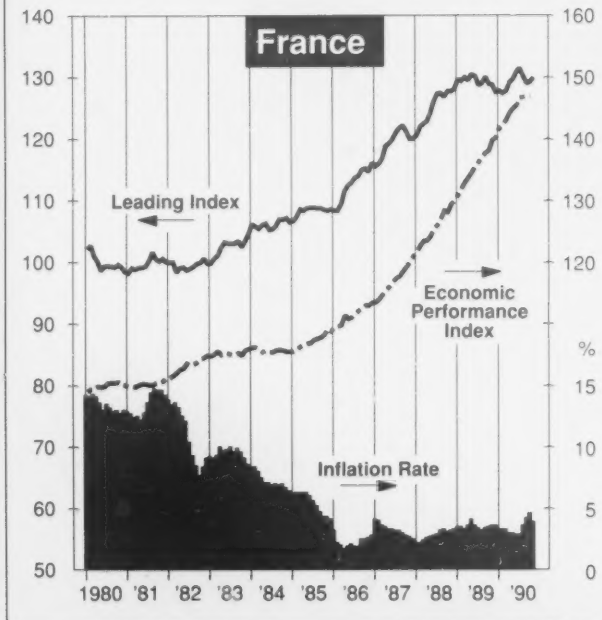
In contrast to the United States, the Canadian inflation rate is still accelerating though November.



The Dramatic Exception

With sturdy growth continuing in both its cyclical indexes — at a 6 percent rate in the performance index and at a 5 percent rate in the leading index — Germany is still the dramatic exception. In view of the country's significant orientation toward exports, and the sluggish economic pattern in the rest of the industrial world, this strength is especially impressive. Perhaps the encouraging signals won't last, but so far, so good.

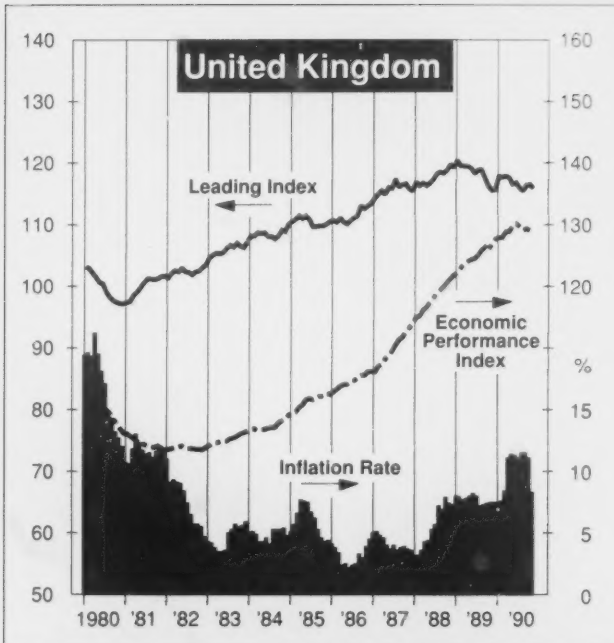
The German inflation rate, after an uptick in October, has subsided below 3 percent again.



Steady and a Bit Dull

The French indexes just don't seem to generate much excitement these days. The performance index, as it has for so long, continues to advance steadily, while the leading index bounces up and down around a more or less flat track.

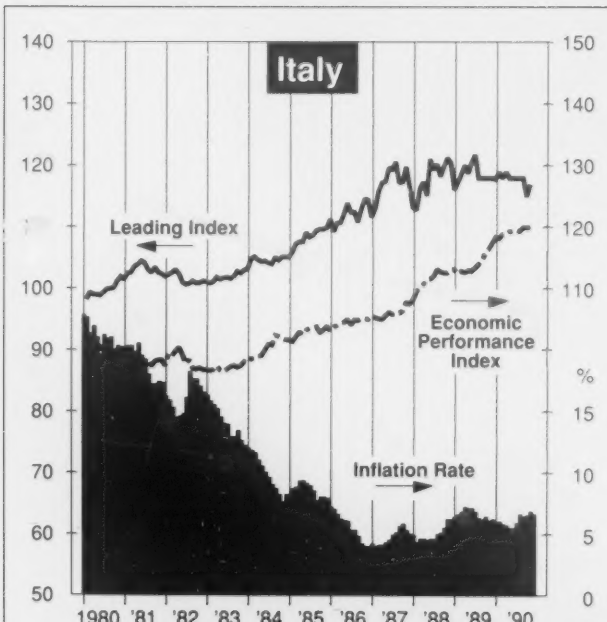
The inflation rate in France is tracing the standard pattern: It dropped back a bit in November after accelerating in August, September and October.

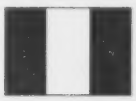


Nearer Recession Unto Thee

The cyclical indexes for the United Kingdom are not decisive, but every month they say "recession" with a stronger voice. The leading index has been declining slowly and irregularly for close to two years. The performance index continued to inch higher until this past June; since then it has sagged just half a percent.

The inflation rate remains high, but slowed abruptly in November — down more than 3 percentage points! Lower mortgage interest rates and a drop in oil prices are the main reasons for this dramatic change.

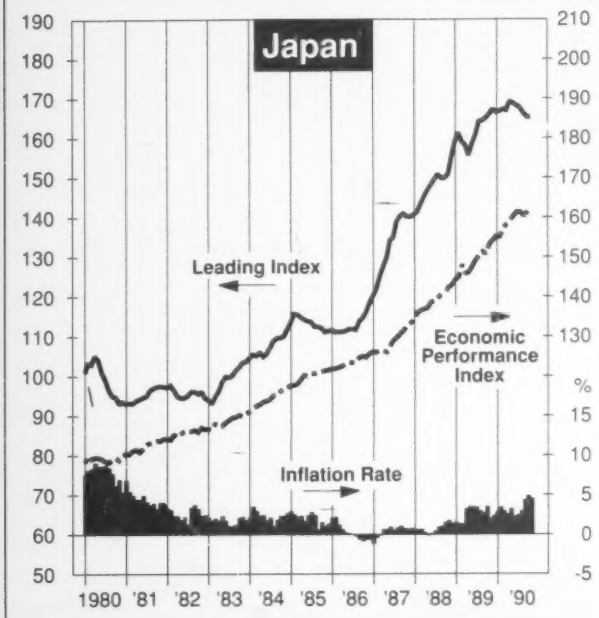




A Volatile Switch Toward Pessimism

The Italian leading index has been moving erratically for several years now. A month ago the latest swing suggested optimism. This month, unfavorable movements in such component series as working hours, bankruptcies, and the price-cost ratio switched the leading index in the pessimistic direction. The performance index, however, has continued to rise sluggishly.

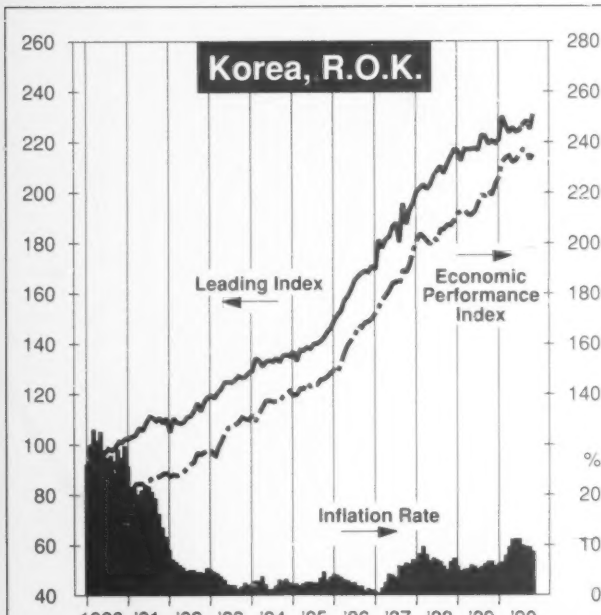
The Italian price level continues to rise at an annual rate near 6.5 percent.



Limited Signs of Weakness

The Japanese leading index — stock prices most noticeably — reversed course last June, and by November had fallen off 2 percent. Thus far the performance index hasn't taken notice of this 5-month weakness in the leaders, but has, instead, continued to advance steadily.

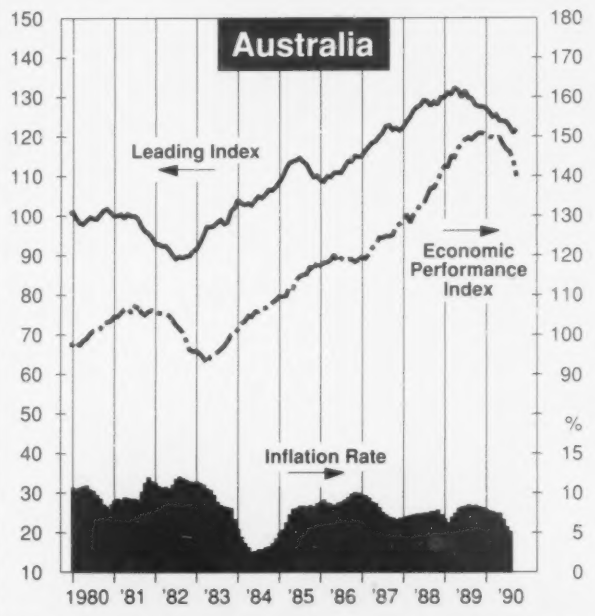
The Japanese price index accelerated with the hike in oil prices last summer, and continues to rise at a 4.5 percent pace.



Caution Ahead

In spite of posting high performance and leading index growth rates, the word for the Korean economy in 1991 is caution. Since Korea depends heavily on imported oil, the uncertainty of the Middle East crisis is going to hamper the economic mood. Moreover, increasing trade frictions with the United States, its largest trading partner, will slow the export growth that fueled the economic growth of the 1980s.

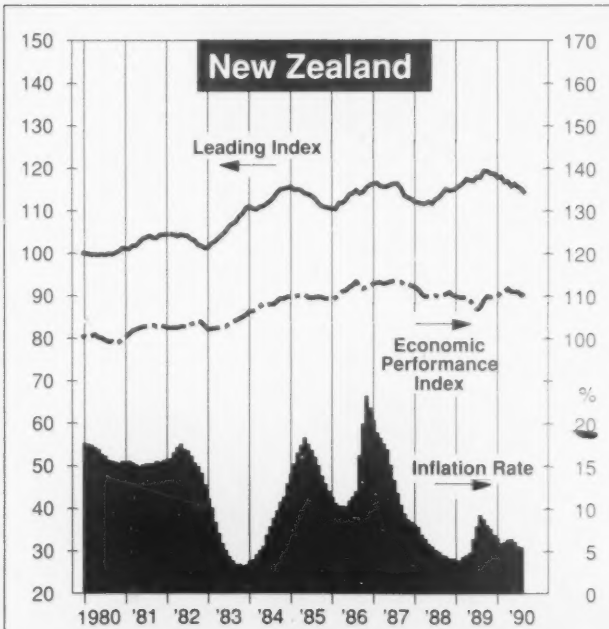
Nevertheless, there is some good news from Korea. Erratic stock and real estate markets seem to have stabilized. Construction is booming. Relationships are improving with northern neighbors, North Korea, China, and the Soviet Union. The bottom line is that the Korean economy should grow about 5 to 7 percent in 1991 — strong performance but well below the 11 percent average of the late 1980s.

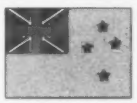


Recession Intensifies

Australia has been in recession for at least half a year, but until November the downswing was proceeding at a very gradual pace. In November, however, the performance index plunged a hefty 3 percent. The leading index, by contrast, rebounded a point in November--nothing to get excited about, of course, but the first ray of hope for the Aussie economy in many months has to be noted, no matter how faint.

Inflation continues to decelerate sharply Down Under — from about 8 percent in the summer of 1989, the rate had dropped to 5 percent by August.

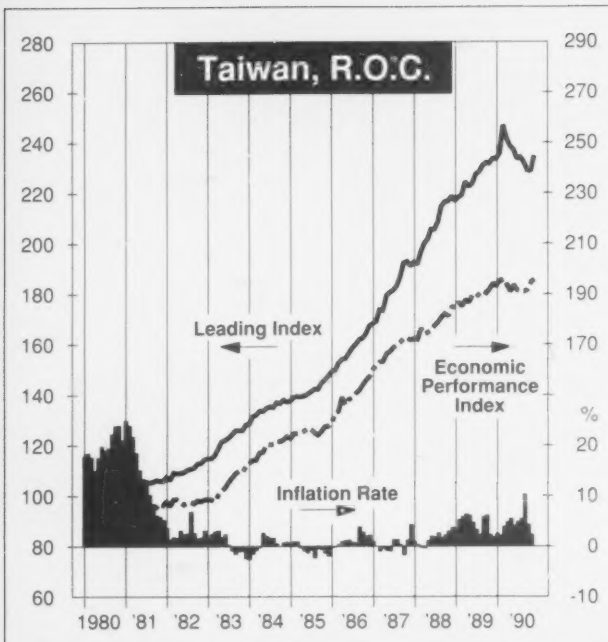


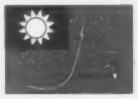


Leaders Sagging Again

The Kiwi economy has been moving sideways for several years — a recession basically, but stagnation rather than actual decline. From time to time the leading index improves, suggesting a cyclical revival, but no rebound has developed. Since early 1990, the leaders have been moving downward again, perhaps enough now to point toward a full-fledged contraction in economic activity.

Inflation continues to slow down very gradually.





Possible Bounce-Back

The Taiwanese leading index, which dropped sharply through most of 1990, was followed by a flattening of the overall economy. Then the leading index rebounded sharply in November. Much of the 8-month decline, and much of the November reversal as well, can be traced directly to stock prices. However, construction orders and the money supply also increased vigorously in November, raising hopes that the cyclical pause of 1990 will give way to renewed expansion before too long.

The Taiwanese inflation rate, which averaged around 5 percent during 1989 and the first half of 1990, has now been cut in half.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Philip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-90

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	**89**	**132**	**138**	**135**	**138**	**128**	**138**	**124**	**124**	**152**	**162**
Aug.	**89**	**133**	**139**	**136**	**139**	**129**	**139**	**125**	**124**	**154**	**165**
Sept.	**89**	**133**	**140**	**136**	**139**	**128**	**139**	**126**	**124**	**154**	**165**
Oct.	89	133	140	137	139	128	139	126	124	155	165
Nov.	89	134	140	138	139	128	139	127	124	156	166
Dec.	89	135	140	139	140	129	138	128	124	157	167
Jan.	**90**	**135**	**140**	**140**	**140**	**128**	**138**	**129**	**125**	**158**	**167**
Feb.	**90**	**136**	**139**	**140**	**140**	**129**	**136**	**130**	**125**	**159**	**167**
Mar.	**90**	**136**	**140**	**141**	**140**	**129**	**138**	**130**	**125**	**160**	**167**
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	131	125	163	168
July	**90**	**138**	**140**	**144**	**141**	**129**	**138**	**132**	**126**	**163**	**168**
Aug	**90**	**138**	**140**	**144**	**140**	**129**	**138**	**132**	**126**	**164**	**167**
Sept.	**90**	**137**	**140**	**143**	**140**	**128**	**138**	**132**	**125**	**163**	**166**
Oct.	90	137	139	144	140	127	137	133	126	163	165
		Growth Rates, Percent									
July	**89**	**4**	**3**	**6**	**3**	**2**	**1**	**5**	**2**	**7**	**6**
Aug.	**89**	**5**	**3**	**6**	**5**	**2**	**2**	**6**	**1**	**7**	**9**
Sept.	**89**	**4**	**3**	**6**	**4**	**1**	**2**	**5**	**2**	**7**	**8**
Oct.	89	4	3	6	3	1	1	5	1	6	7
Nov.	89	4	2	6	3	1	1	6	0	7	7
Dec.	89	4	2	6	3	1	0	6	1	7	6
Jan.	**90**	**4**	**1**	**7**	**3**	**0**	**–1**	**7**	**1**	**7**	**5**
Feb.	**90**	**4**	**1**	**7**	**3**	**1**	**–3**	**7**	**1**	**7**	**5**
Mar.	**90**	**5**	**1**	**7**	**2**	**1**	**–1**	**7**	**1**	**8**	**4**
Apr.	90	4	1	7	2	1	–2	6	1	8	3
May	90	4	1	6	2	1	0	6	1	7	4
June	90	4	1	6	2	2	0	6	1	7	3
July	**90**	**4**	**1**	**6**	**2**	**1**	**1**	**6**	**2**	**7**	**2**
Aug	**90**	**3**	**1**	**5**	**1**	**0**	**0**	**5**	**2**	**6**	**0**
Sept.	**90**	**2**	**0**	**4**	**0**	**–1**	**0**	**4**	**1**	**4**	**–1**
Oct.	90	1	–1	3	0	–2	–1	4	1	4	–2
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-90

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.		Korea, R.O.K.		New Zealand	
		Indexes, 1980 = 100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	**89**	**128**	**139**	**134**	**125**	**120**	**127**	**136**	**129**	**125**	**119**	**114**	**118**	**150**	**162**	**148**	**130**	**190**	**229**	**217**	**218**	**108**	**117**
Aug.	**89**	**128**	**140**	**134**	**125**	**120**	**126**	**137**	**129**	**126**	**119**	**115**	**116**	**151**	**165**	**149**	**132**	**191**	**231**	**220**	**224**	**107**	**118**
Sept.	**89**	**128**	**140**	**134**	**125**	**120**	**128**	**138**	**130**	**126**	**118**	**116**	**118**	**152**	**165**	**150**	**130**	**190**	**232**	**220**	**224**	**108**	**118**
Oct.	89	128	140	134	124	121	128	138	129	126	116	116	118	152	166	149	130	192	232	222	220	109	119
Nov.	89	128	140	134	124	122	129	140	129	127	116	117	118	154	167	150	128	194	234	220	222	110	119
Dec.	89	128	139	135	125	123	130	140	128	128	116	118	118	155	168	151	128	193	234	224	221	110	119
Jan.	**90**	**128**	**139**	**135**	**123**	**124**	**130**	**142**	**128**	**128**	**118**	**118**	**119**	**156**	**167**	**151**	**128**	**197**	**236**	**227**	**222**	**110**	**119**
Feb.	**90**	**128**	**138**	**135**	**123**	**125**	**130**	**142**	**127**	**128**	**118**	**119**	**118**	**156**	**168**	**150**	**127**	**193**	**247**	**233**	**231**	**110**	**118**
Mar.	**90**	**129**	**139**	**136**	**123**	**126**	**130**	**143**	**128**	**129**	**118**	**119**	**119**	**158**	**168**	**150**	**126**	**194**	**242**	**235**	**227**	**111**	**118**
Apr.	90	128	138	136	120	125	130	144	129	129	118	119	118	159	168	150	125	191	239	236	225	111	117
May	90	129	140	135	120	127	130	145	130	130	117	119	118	160	170	150	126	194	238	233	227	112	117
June	90	129	140	135	121	127	131	145	131	130	117	120	118	161	170	150	124	192	234	234	225	111	116
July	**90**	**129**	**140**	**135**	**121**	**128**	**132**	**147**	**132**	**130**	**116**	**119**	**118**	**162**	**169**	**148**	**124**	**191**	**234**	**236**	**226**	**111**	**116**
Aug.	**90**	**129**	**140**	**135**	**121**	**129**	**133**	**147**	**130**	**129**	**116**	**120**	**118**	**162**	**168**	**147**	**124**	**191**	**233**	**238**	**228**	**111**	**116**
Sept.	**90**	**128**	**140**	**134**	**121**	**128**	**134**	**147**	**129**	**130**	**116**	**120**	**115**	**161**	**167**	**146**	**123**	**192**	**229**	**238**	**230**	**110**	**115**
Oct.	90	127	139	134	120	129	134	147	129	129	117	120	117	162	166	144	121	195	229	234	226	111	114
Nov.	90	125	136						130		116			163	166	140	122	196	235	236	232		
		Growth Rates, Percent																					
July	**89**	**2**	**1**	**3**	**1**	**5**	**5**	**8**	**0**	**5**	**–1**	**2**	**1**	**6**	**7**	**11**	**1**	**5**	**6**	**6**	**2**	**–4**	**3**
Aug.	**89**	**2**	**2**	**3**	**1**	**5**	**3**	**8**	**0**	**5**	**–1**	**3**	**2**	**7**	**10**	**11**	**3**	**5**	**9**	**7**	**7**	**–5**	**4**
Sept.	**89**	**1**	**2**	**3**	**1**	**4**	**5**	**8**	**2**	**5**	**–2**	**4**	**1**	**7**	**9**	**10**	**0**	**4**	**9**	**7**	**6**	**–3**	**4**
Oct.	89	1	2	2	0	4	5	7	–1	5	–4	5	1	6	8	7	–1	5	7	7	2	–1	5
Nov.	89	1	1	2	–1	5	5	8	–1	4	–5	6	1	7	8	7	–3	6	8	5	3	1	4
Dec.	89	1	0	2	0	6	6	7	–3	5	–4	7	1	7	7	7	–4	4	7	7	1	1	3
Jan.	**90**	**0**	**–1**	**2**	**–2**	**7**	**5**	**8**	**–2**	**4**	**0**	**6**	**2**	**7**	**6**	**6**	**–4**	**7**	**7**	**9**	**2**	**2**	**2**
Feb.	**90**	**1**	**–3**	**2**	**–2**	**8**	**5**	**8**	**–3**	**4**	**0**	**7**	**1**	**7**	**5**	**4**	**–5**	**3**	**15**	**13**	**10**	**2**	**1**
Mar.	**90**	**1**	**–1**	**2**	**–2**	**8**	**3**	**8**	**–2**	**4**	**0**	**6**	**1**	**8**	**5**	**2**	**–6**	**2**	**9**	**13**	**5**	**2**	**–1**
Apr.	90	0	–2	2	–5	6	3	8	1	4	0	5	1	9	4	2	–6	–1	5	12	2	2	–2
May	90	1	0	1	–5	7	3	8	1	4	–1	4	1	8	5	0	–5	2	3	8	4	4	–2
June	90	2	0	1	–4	6	3	7	3	4	–1	4	–1	8	4	1	–6	–1	–1	8	1	2	–3
July	**90**	**1**	**1**	**1**	**–3**	**7**	**4**	**8**	**4**	**3**	**–2**	**3**	**1**	**8**	**3**	**–2**	**–6**	**–1**	**–1**	**8**	**2**	**3**	**–2**
Aug.	**90**	**0**	**1**	**0**	**–3**	**8**	**5**	**7**	**2**	**2**	**–3**	**3**	**–1**	**7**	**0**	**–4**	**–5**	**–2**	**–3**	**8**	**3**	**2**	**–3**
Sept.	**90**	**–1**	**1**	**–1**	**–2**	**6**	**5**	**6**	**0**	**2**	**–1**	**3**	**–5**	**5**	**–1**	**–5**	**–6**	**–1**	**–5**	**7**	**5**	**–1**	**–4**
Oct.	90	–2	–1	–2	–3	6	5	5	0	1	0	1	–2	5	–2	–6	–7	2	–5	2	1	0	–5
Nov.	90	–4	–4						1		–1			5	–2	–11	–4	2	–1	3	5		
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	3	3	8	8	7	7	2	2

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The Conference Board

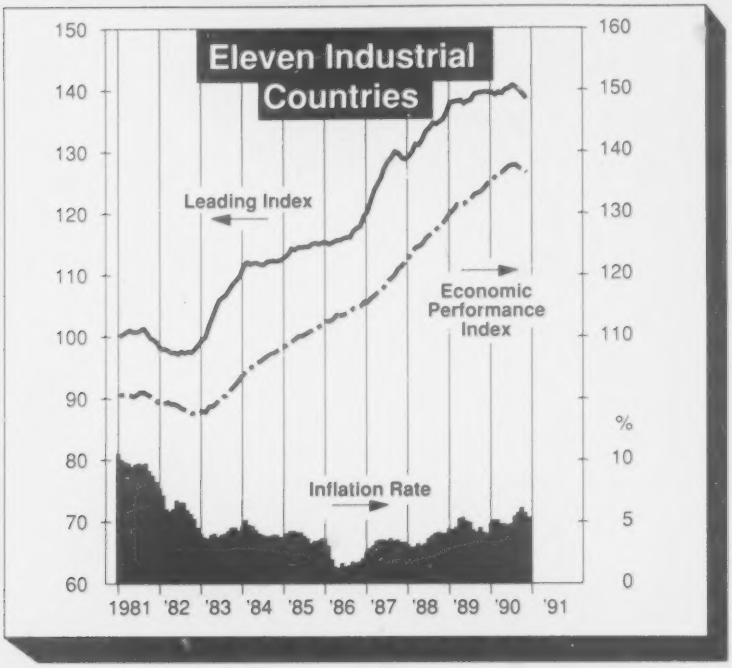
Volume 13, Number 2 February 1991

International Economic Scoreboard

INSIDE:

- **Deepening & Widening Economic Slowdown**
- **Three Regions — Three Different Trends**
- **In This Recession, Is The U.S. The Judas Goat?**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	4	3	0	1	1	-2	Expansion stopped, leaders weak	Nov.
Ten countries (U.S. excl.)	3	6	5	3	2	1	0	Expansion continuing, leaders weak	Nov.
North America (2)	3	1	0	-4	0	0	-4	Recession Continuing	Nov.
Europe (4)	2	6	5	3	1	2	2	Expansion continuing	Nov.
Pacific Region (5)	4	7	6	3	4	0	-1	Expansion continuing, leaders weak	Nov.
United States	3	2	-1	-4	0	0	-5	Recession Continuing	Dec.
Canada	3	1	-1	-3	-5	-3	-2	Recession Continuing	Nov.
Germany	2	6	6	4	3	5	7	Expansion continuing	Dec./Nov.
France	2	7	7	3	4	2	1	Expansion continuing, leaders weak	Nov./Dec.
United Kingdom	2	4	2	-1	-1	-1	-3	Expansion stopped, leaders weak	Dec.
Italy	2	5	3	2	1	0	-4	Expansion stopped, leaders weak	Oct./Nov.
Japan	4	8	5	5	4	-1	-2	Expansion continuing, leaders weak	Dec.
Korea, R.O.K.	7	8	7	5	1	9	6	Expansion continuing	Dec.
Australia	3	1	-5	-6	-6	-6	-5	Recession continuing	Dec.
New Zealand	2	4	2	0	-2	-3	-6	Leaders weak	Nov.
Taiwan, R.O.C.	8	-1	-1	0	-1	-5	-1	Expansion stopped, leaders weak	Dec.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Recession Threat Mounting — Inflation Threat Subsiding

The drift toward recession continues to gain momentum around the world. The evidence does not yet support the conclusion that a "global recession" is underway, but it's close to that. The 11-country performance index has been flat for 9 months and the leading index is declining at a 2 percent rate.

Three countries are clearly in recession—Australia, the United States, and Canada. At this point, their leading indexes offer no strong hope of an early reversal. Three other countries seem on the verge of recession—the United Kingdom, New Zealand, and Taiwan. For each, the record shows both the performance and leading indexes flat to down, though not yet decisively. Japan, France, and Italy show a somewhat ambivalent pattern, with their performance indexes still on the upgrade while their leading indexes have started to sag a bit.

The notable exceptions to the general pattern are Germany and Korea, where both the performance and leading indexes still look strong.

As expected, the inflation pattern is improving. The 11-country rate has dropped to 5.3 percent in December from 5.9 percent three months earlier. The main reason is still the fact that most of last summer's bulge in oil prices has passed through the system. We'd also like to think the recession is contributing to the gradual deflationary trend (as it normally does), but when, as is happening now, the economically weakest countries are showing increases in their inflation rates, that thesis is difficult to defend.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.7	5.9	5.3	Volatile	Dec.
Ten countries (U.S. excl.)	5.2	4.4	5.3	4.8	Volatile	Dec.
North America (2)	5.6	5.0	6.3	5.8	Volatile	Dec.
Europe (4)	6.6	5.2	6.3	4.9	Falling	Dec.
Pacific Region (5)	3.4	3.3	4.1	4.6	Rising	Dec.
United States	5.5	5.0	6.5	5.8	Volatile	Jan.
Canada	6.5	3.9	4.3	4.8	Rising	Dec.
Germany	2.9	2.3	4.0	2.9	Volatile	Jan.
France	7.3	2.9	4.2	3.4	Volatile	Dec.
United Kingdom	7.3	11.3	11.5	7.4	Falling	Dec.
Italy	11.2	5.9	6.5	6.7	Rising	Jan.
Japan	2.5	2.2	3.2	4.2	Rising	Dec.
Korea, R.O.K.	8.1	11.1	9.6	7.9	Falling	Dec.
Australia	8.4	7.4	5.1	7.1	Volatile	Nov.
New Zealand	11.8	6.4	5.4	4.6	Falling	Nov.
Taiwan, R.O.C.	4.4	4.1	10.2	2.7	Falling	Dec.

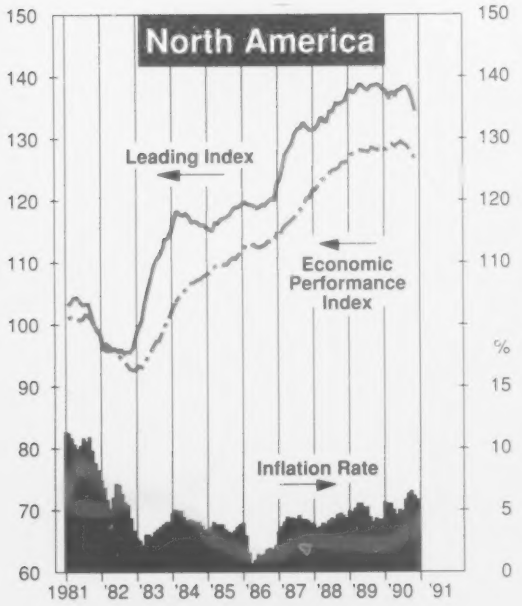
* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

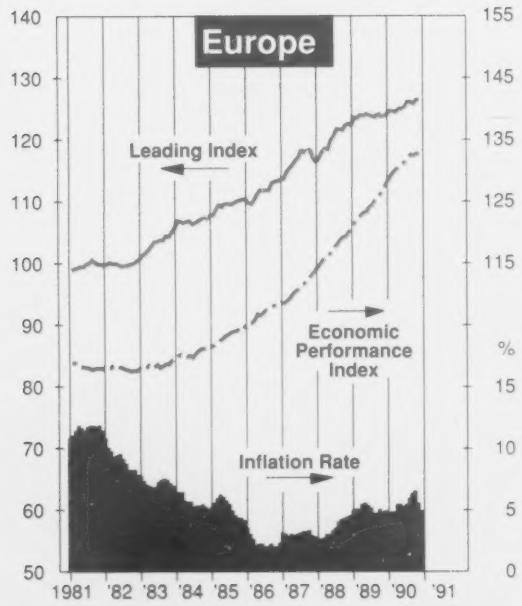
The Regions — Directional Dissidence

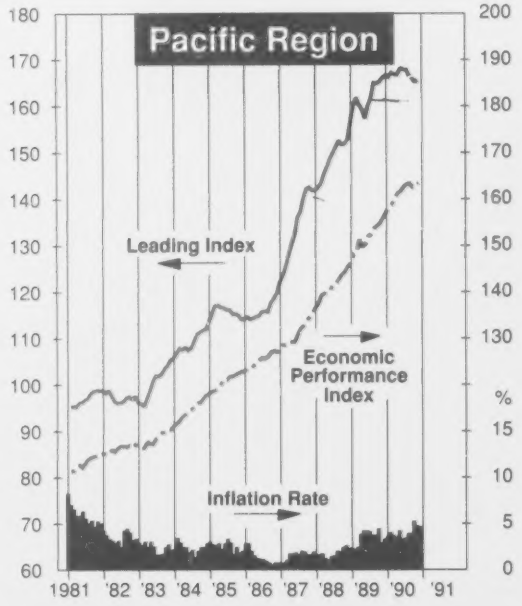
Despite the fact that the cyclical weakness is spreading internationally, the three major regions are headed in very different directions. North America provides the most unequivocal picture: With both the U.S. and Canada in recession, the regional composite indexes have turned down decisively.

Europe's cyclical pattern is quite healthy, at least in comparison with the rest of the world. The United Kingdom's economy is ailing a bit, and Italy and France are doing OK—at least they have avoided a downturn, although neither leading index makes a strong case that recession can be beaten back indefinitely. The economic star of the region is Germany, where persistentsturdy expansion in both the performance and leading indexes is carrying the whole region. The main force behind the German strength is, presumably, reunification and the reconstruction of East Germany. The tough question now is whether or not this economic lift will outweigh the coming tax increase.

The Pacific Region, with indexes firmer than North America's but less encouraging than Europe's, just seems not to know where it's headed. The uncertainty is reduced by looking at the pattern country by country. Clearly, Australia is in recession and Korea continues to expand. Taiwan and New Zealand seem on the verge of recession. But Japan, which is of a size that dominates the region, has a performance index that is still expanding but a leading index that dropped 2 1/2 percent in the second half of 1990. Which direction is Japan headed? When that is decided, then we'll know which way the Pacific Region will go.







JUDAS GOAT AGAIN?

Normally, most discussion of the global business cycle starts with the United States, partly because it is by far the largest economy, partly because its statistical arsenal is both more complete and more up-to-date, and partly because more often than not in the past the U.S. has led the rest of the industrial world into recession. This time, not so.

Most cyclical analysis uses the leading indexes, but to decide when a recession starts we want to look primarily at the performance indexes (comprised as they are of the comprehensive measures of production, employment, real income and real sales). The table below shows, for the six countries judged either to be in a recession or on the verge of one, the month when the performance index hit a peak and how much it has fallen since then.

Month of Cyclical Peak	Country	Percent Decline Since Peak
January 1990	Australia	5.4
January 1990	Taiwan	1.9
March 1990	Canada	2.4
May 1990	New Zealand	1.4
June 1990	United States	3.2
June 1990	United Kingdom	1.1

As the table shows, Australia is clearly the leader of this cyclical procession with the earliest starting date for its recession and the largest relative decline thus far. (Taiwan's index hit a peak the same month, but the pattern it has followed since then makes that peak look more than a little uncertain. Although the Taiwanese economy stopped growing more than a year ago, it's not at all clear that a cyclical downturn is in progress.) Then two other countries started down, Canada after March, and New Zealand after May. Next in line are the United States and the United Kingdom, following peaks in June.

With five other countries yet to be heard from, it is clear that the United States occupies an intermediate position with respect to the starting date of the current global downturn. This time around the U.S. cannot be accused of being the Judas goat leading the rest of the world into recession.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-90

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	89	132	138	135	138	128	138	125	124	153	162
Aug.	89	133	139	136	139	129	139	126	124	154	165
Sept.	89	133	139	137	139	128	139	126	124	154	165
Oct.	89	134	140	137	139	128	139	126	124	155	166
Nov.	89	134	140	138	139	128	139	127	124	156	166
Dec.	89	135	140	139	140	129	138	128	124	157	167
Jan.	90	135	140	140	140	128	138	129	125	158	166
Feb.	90	139	139	141	140	129	136	130	125	159	167
Mar.	90	136	140	142	140	129	138	130	125	160	167
Apr.	90	136	139	142	140	129	137	131	125	161	167
May	90	137	140	142	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	132	125	163	168
July	90	138	141	144	141	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	140	144	140	128	138	133	126	163	166
Oct.	90	137	139	144	140	128	136	133	126	163	165
Nov.	90	136	138	144	140	126	134	133	126	164	166

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	4	3	6	3	2	1	5	2	7	6
	5	3	6	4	2	2	6	1	7	9
	4	3	6	4	2	2	5	2	7	8
	4	3	6	3	1	2	6	1	6	7
	4	2	6	3	1	1	6	0	7	7
	4	2	6	3	1	0	6	1	7	6
	4	1	7	2	0	-1	7	1	7	5
	4	0	7	2	1	-3	7	1	7	5
	5	1	7	2	1	-1	7	1	8	4
	4	0	6	2	1	-2	6	1	8	3
	4	1	6	2	1	0	6	1	7	4
	4	1	6	2	2	0	6	2	7	3
	4	2	6	2	1	1	6	3	7	2
	3	1	5	1	0	0	5	2	6	0
	2	0	4	0	-1	0	4	2	4	-1
	1	-1	3	0	-2	-2	4	2	4	-2
	0	-2	3	0	-4	-4	3	2	3	-1
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-90

		U.S.		Canada		Germany		France		U.K.		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	89	128	139	134	125	120	127	137	129	125	119	114	118	150	162	217	218	148	130	108	117	190	229
Aug.	89	128	140	134	125	120	126	138	129	126	119	115	118	151	165	220	224	149	132	107	118	191	231
Sept.	89	128	140	134	125	120	128	139	130	126	118	116	118	152	165	220	224	150	130	108	118	190	232
Oct.	89	128	140	134	125	121	128	140	129	126	116	116	118	152	166	222	220	149	130	109	120	192	232
Nov.	89	128	140	135	124	122	129	141	129	127	116	117	118	154	167	220	222	150	128	110	119	194	234
Dec.	89	128	139	135	124	123	130	141	128	128	116	118	118	155	168	224	221	151	128	110	119	193	234
Jan.	90	128	139	135	123	124	130	143	128	128	118	118	119	156	167	227	222	151	128	110	119	197	236
Feb.	90	128	138	135	123	125	130	143	127	128	118	119	118	156	168	233	231	150	127	110	118	193	247
Mar.	90	129	139	136	123	126	130	144	128	129	118	119	118	158	168	235	227	150	126	111	117	194	242
Apr.	90	128	138	135	121	125	130	145	129	129	118	119	118	159	168	236	225	150	125	111	117	191	239
May	90	129	140	135	120	127	130	145	130	129	117	119	118	160	170	233	227	150	126	112	117	194	238
June	90	129	140	135	121	127	131	146	131	130	117	120	118	161	170	234	225	150	124	111	116	192	234
July	90	129	140	135	121	128	132	147	132	129	116	119	118	162	169	236	226	148	124	111	116	191	234
Aug.	90	128	140	134	121	129	133	148	132	129	116	120	118	162	168	238	228	147	124	111	116	191	233
Sept.	90	128	139	134	121	128	134	148	130	129	116	120	115	161	167	238	235	146	123	110	115	192	229
Oct.	90	127	138	133	121	129	135	148	131	129	116	120	116	162	166	234	230	144	122	111	115	195	229
Nov.	90	126	136	132	120	130	136	148	131	128	115		115	163	166	236	236	141	122	110	113	195	235
Dec.	90	125	135			129			130	128	115			164	166	239	235	143	121			193	235
		Growth Rates, Percent																					
July	89	2	1	2	1	5	5	8	0	5	-1	2	1	6	7	6	2	11	1	-4	3	5	8
Aug.	89	2	2	3	1	5	3	8	0	5	-1	3	2	7	10	8	7	11	3	-5	4	5	9
Sept.	89	2	2	3	1	4	5	8	2	5	-2	4	1	7	9	7	6	10	0	-3	4	4	9
Oct.	89	1	2	2	0	4	5	8	-1	5	-4	5	1	6	8	7	2	7	-1	-1	5	5	7
Nov.	89	1	1	2	-1	5	5	9	-1	4	-5	6	1	7	8	5	3	7	-3	1	4	6	8
Dec.	89	1	0	2	0	6	6	8	-3	5	-4	7	1	7	7	7	1	7	-4	1	3	4	7
Jan.	90	0	-1	2	-2	7	5	8	-3	4	0	6	2	7	6	9	2	6	-4	2	2	7	7
Feb.	90	1	-3	2	-2	8	5	8	-3	4	0	6	1	7	5	13	10	4	-4	2	0	3	15
Mar.	90	1	-1	2	-2	8	3	7	-2	4	-1	6	1	8	5	13	5	2	-6	2	-1	2	9
Apr.	90	0	-2	2	-5	6	3	7	0	4	0	5	1	9	4	12	2	2	-6	2	-2	-1	5
May	90	1	0	1	-5	7	3	7	1	4	-1	4	1	8	5	8	4	0	-5	4	-2	2	3
June	90	2	0	1	-4	6	3	7	4	4	-1	4	-1	8	4	8	1	1	-6	2	-3	-1	-1
July	90	1	1	1	-3	7	4	7	5	3	-2	3	1	8	3	8	2	-2	-6	3	-2	-1	-1
Aug.	90	0	1	-1	-3	8	5	7	4	2	-3	3	0	7	0	8	3	-4	-5	2	-3	-2	-3
Sept.	90	-1	0	-1	-2	6	6	6	2	2	-1	3	-5	5	-1	7	9	-5	-6	-1	-4	-1	-5
Oct.	90	-2	-2	-2	-2	6	6	5	2	1	-1	1	-2	5	-2	2	4	-6	-6	0	-4	2	-5
Nov.	90	-4	-5	-3	-2	6	7	3	3	-1	-2		-4	5	-2	3	8	-10	-4	0	-6	2	0
Dec.	90	-4	-5			4			1	-1	-3			5	-2	5	6	-6	-5			0	-1
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 13, Number 3 March 1991

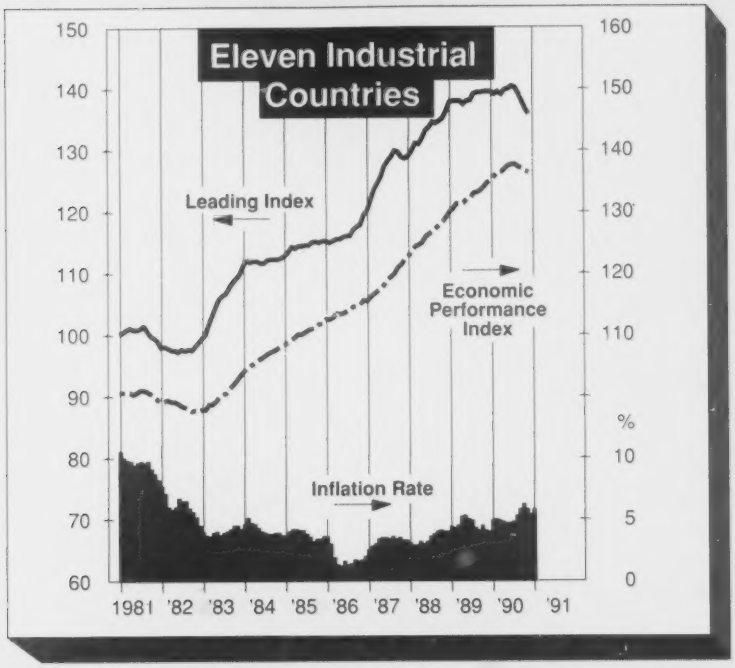
International Economic Scoreboard

INSIDE:

- **Steepening Declines in Leading Indexes.**
- **Japan & Germany — A Deterioration in Their Cyclical Outlook.**
- **Inflation — Unexpected Upward Movement.**

Serving Business and Society for 75 Years

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	4	2	0	1	-1	-4	Expansion stopped, leaders weak	Dec.
Ten countries (U.S. excl.)	3	6	4	2	2	-1	-4	Expansion continuing, leaders weak	Dec.
North America (2)	3	2	-1	-5	0	0	-5	Recession continuing	Dec.
Europe (4)	2	6	4	3	2	1	-1	Expansion continuing, leaders weak	Dec.
Pacific Region (5)	4	7	4	3	2	-2	-7	Expansion continuing, leaders weak	Dec.
United States	3	1	-2	-6	1	-2	-5	Recession continuing	Jan.
Canada	3	1	-1	-4	-4	-3	-6	Recession continuing	Dec.
West Germany	2	7	6	7	5	4	1	Expansion continuing	Jan.
France	2	7	6	3	5	0	-1	Expansion continuing, leaders weak	Dec./Jan.
United Kingdom	2	3	1	-2	-2	-1	-1	Recession continuing	Jan.
Italy	2	6	3	2	0	-4	-4	Expansion stopped, leaders weak	Oct./Dec.
Japan	4	8	5	7	3	-6	-10	Expansion continuing, leaders weak	Jan.
Korea, R.O.K.	7	8	2	9	2	-3	2	Expansion continuing	Jan.
Australia	3	-2	-7	-8	-6	-7	-4	Recession continuing	Jan.
New Zealand	2	2	-3	-5	-3	-4	-6	Recession continuing	Dec.
Taiwan, R.O.C.	8	-1	2	4	-1	-5	1	Expansion stopped, leaders weak	Jan.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Weakness Spreading and Deepening

Weakness in the global economy continues to spread and deepen. This month we add New Zealand to the list of countries in recession. (The first were Australia, Canada and the United States. Thus it's still an Anglo-Saxon disease!) The United Kingdom is still a borderline case. In Taiwan, however, the performance index advanced sharply in January and the leading index climbed a point, which removes that country from the borderline-recession category.

The most worrisome evidence of spreading cyclical weakness this month is the dramatic downward movements that have taken place in the leading index growth rates for Japan and Germany (see next page for charts and additional discussion). The rate of change in the Japanese leading index, which was at -2 percent a month ago, is now at a startling -10 percent. Last month the German leading index showed a surprisingly strong 7 percent growth rate; today's report shows a still-positive but anemic 1 percent growth rate. Korea's leading index also is now growing much less vigorously.

The result of these and other changes is a decidedly pessimistic alteration in the global outlook. The 11-country performance index is still essentially flat. But the leading index has weakened noticeably; a month ago its rate of change was -2 percent, now it's moved down to -4 percent. Although it may still be premature to conclude that this is a global recession, the evidence now in hand says it's an odds-on bet.

Is there any optimism to be found in these numbers? No, not here. But stock prices have been rebounding in many parts of the world, and early U.S. data for February suggests the recession may be bottoming. Thus better reports on the leading indexes may appear before too long.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.8	6.2	5.8	Volatile	Jan.
Ten countries (U.S. excl.)	5.2	4.4	5.7	5.7	Rising	Jan.
North America (2)	5.6	5.0	6.7	6.2	Volatile	Jan.
Europe (4)	6.6	5.4	6.5	4.7	Falling	Jan.
Pacific Region (5)	3.4	3.3	4.9	5.8	Rising	Jan.
United States	5.5	6.0	6.3	5.4	Falling	Feb.
Canada	6.5	4.0	5.1	9.4	High and Rising	Jan.
West Germany	2.9	2.8	3.1	2.7	Falling	Feb.
France	7.3	2.9	4.6	3.7	Volatile	Jan.
United Kingdom	7.3	11.1	11.1	6.5	Falling	Jan.
Italy	11.2	6.6	6.8	7.1	Rising	Feb.
Japan	2.5	2.4	4.3	5.5	Rising	Jan.
Korea, R.O.K.	8.1	11.1	9.5	9.8	High and Volatile	Jan.
Australia	8.4	7.4	5.1	7.1	Volatile	Nov.
New Zealand	11.8	6.4	5.4	4.6	Falling	Nov.
Taiwan, R.O.C.	4.4	5.0	4.5	3.5	Falling	Jan.

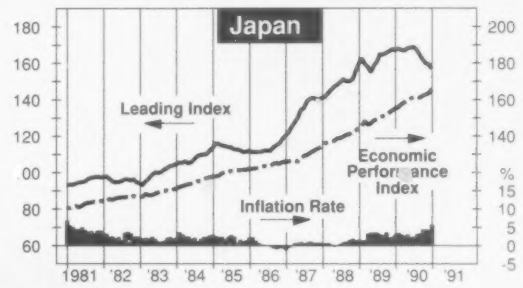
* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

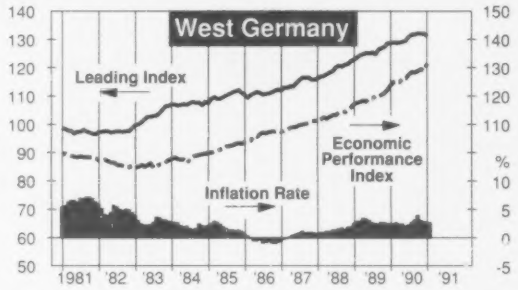
Gloomy Outlook in Japan

The outlook for the business cycle in Japan has turned sour very quickly. A month ago the leading index showed a slight downward trend — a -2 percent rate of change. In this report, the decline is very pronounced, with the rate of change now down to a startling -10 percent.

Almost all of the ten statistical series that comprise Japan's leading index contributed to the downturn. In particular, new data that became available during the month for inventory investment, business failures, and especially consumer credit use, sharpened the pessimistic signal. Common stock prices added to the weakness in January, although they rebounded smartly in February and March. That latter move is about the only encouraging news for Japan we can report.

Not only has the leading business cycle index turned down, the inflation picture worsened as well. In January, the growth rate of the consumer price index accelerated to 5.5 percent, more than double the 2.5 percent average for the decade of the 1980s.





Et Tu Germany?

As in Japan, the business cycle outlook for Germany deteriorated sharply with the new data available this month. In Germany's case, however, the deterioration was from the very favorable set of numbers reported last month to a more neutral pattern this month, rather than (in Japan) from questionable to seriously worrisome. Specifically, the German leading index, which showed a sturdy 7 percent growth rate a month ago, now shows but 2 percent. And a glance at the index numbers on the back page reveals that the German leading index has been flat for the last five months. This does not necessarily condemn Germany to follow the rest of the industrial world into recession. (We are not dealing here with a group of elephants trained to follow one another unfailingly around the circus ring.) What we can say with confidence is that prospects for continued economic expansion in Germany are not nearly as encouraging as they seemed to be a month ago.

East Meets West

As mentioned in previous reports, the outlook in Germany has been affected importantly by the integration of the former German Democratic Republic into West Germany, which in these reports we have referred to simply as "Germany." Free now to do so, the people of East Germany have eagerly bought up as many Western goods as they could afford, because of their superior quality. This has boosted production in the West.

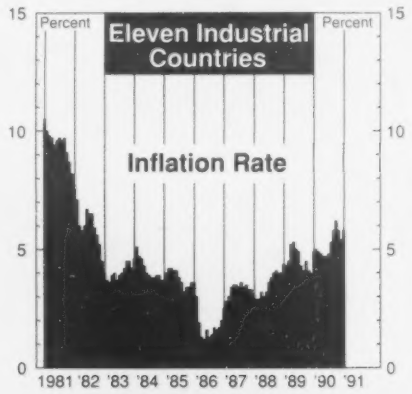
But as demand for East German output has fallen, and as state subsidies have been withdrawn, East German factories have been closing, laying off many thousand of workers. Accordingly, the outlook for the two regions is dramatically different. One well regarded forecasting group projects unemployment in West Germany to decline from 6.2 percent last year to 5.5 percent this year and then to decline further to 5.2 percent in 1992. In East Germany, by contrast, unemployment will reach depression proportions. The unemployment rate is expected to rise by a factor of 10 — from 3 percent last year to 31 percent this year and to 36 percent in 1992. For the nation as a whole, this works out to 5.5 percent unemployed last year, 11.2 percent this year, and 11.9 percent next year.

As these comparisons indicate, any time German economic data are discussed, it is crucial to know whether they refer to the nation as a whole or only to West Germany. Accordingly, until we can switch to countrywide data, we will change the labels on our report to show that our data are limited to the West.

Inflation Rekindled

Worldwide inflation, which improved in November and December, took a turn for the worse in January. The 11-country inflation rate climbed back up to 5.8 percent, just a notch below the 5.9 percent rate of last October, attributable to the surge of oil-price increases following Iraq's invasion of Kuwait, and which was the highest global inflation rate since 1982.

The January acceleration is perplexing, because the return of crude-oil prices to their early-summer-1990 levels should have started the inflation rate back down to lower levels, and the recession conditions that exist in most of the industrial world should be reinforcing the slowdown (as, for example, happened during the worldwide recession of 1981-82, which can be seen clearly on the chart). Consistent with that historical pattern, the pace of wage increases is easing here in the United States. Nevertheless, both in the U.S. and other countries, the price indexes are accelerating.



Perhaps this January increase is nothing more than statistical noise — meaningless month-to-month volatility. For example, part of it reflects U.S. excise-tax increases — gasoline and jewelry — but the U.S price index accelerated in January even after allowing for excise taxes and, besides, the U.S. is only 40 percent of the 11-country composite. Consequently, the latest data on prices are discouraging. The improvement in the rate of inflation that has accompanied recessions in the past has not appeared this time. Nevertheless, we still expect the global inflation rate to respond to the pressures of falling oil prices and falling economies in the near future.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-90

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	89	132	138	135	137	128	138	125	124	153	162
Aug.	89	133	139	136	139	129	139	126	124	154	165
Sept.	89	133	139	137	139	128	139	126	124	154	165
Oct.	89	134	139	137	139	128	139	126	124	155	166
Nov.	89	134	140	138	139	128	139	127	124	156	166
Dec.	89	135	140	139	140	129	138	128	124	157	167
Jan.	90	135	140	140	140	128	138	129	125	158	167
Feb.	90	136	139	141	140	129	136	130	124	159	168
Mar.	90	136	140	142	140	129	138	130	124	160	167
Apr.	90	136	139	142	140	129	137	131	125	161	167
May	90	137	140	143	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	132	125	163	168
July	90	138	140	144	141	129	138	132	126	164	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	139	144	139	128	138	133	125	163	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	137	144	137	126	134	133	125	164	160
Dec.	90	136	136	144	137	125	133	133	124	164	160

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	4	2	6	3	2	1	5	1	7	6
	5	3	6	4	2	2	6	1	7	9
	4	3	6	4	2	1	5	2	7	8
	4	3	6	3	1	1	6	1	6	7
	4	2	6	3	1	1	6	0	7	7
	4	2	6	3	1	0	6	0	7	6
	4	1	7	3	0	-1	7	1	7	5
	4	1	7	3	1	-3	7	1	7	6
	5	1	7	2	1	-1	7	1	7	4
	4	0	6	2	1	-2	6	1	8	3
	4	1	6	2	1	0	6	1	7	3
	4	1	6	2	2	0	6	2	7	2
	4	2	6	2	1	1	6	3	7	2
	3	1	5	1	0	1	5	2	6	0
	2	-1	4	-1	-1	0	4	1	4	-2
	1	-2	4	-2	-2	-2	4	1	4	-6
	0	-4	3	-3	-4	-4	3	0	3	-7
	0	-4	2	-4	-5	-5	3	-1	3	-7
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-90

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	128	140	134	125	121	127	140	129	126	117	116	118	152	166	222	220	149	130	109	120	192	232
Nov.	89	128	140	135	124	122	128	141	129	127	116	117	118	154	167	220	222	150	128	110	119	194	233
Dec.	89	128	140	135	124	123	129	141	128	128	116	118	118	155	168	224	221	151	128	111	119	194	234
Jan.	90	128	139	135	123	124	129	143	128	128	119	118	119	156	168	227	222	152	128	111	119	194	236
Feb.	90	128	138	135	122	125	129	143	127	128	119	119	118	156	168	233	231	150	127	111	118	194	246
Mar.	90	129	139	135	123	126	129	144	128	129	118	119	118	158	168	235	227	150	126	112	117	194	241
Apr.	90	128	138	135	120	125	129	145	129	129	118	120	118	159	167	236	225	150	125	112	117	192	239
May	90	129	140	135	120	127	130	146	130	129	117	119	119	160	168	233	227	150	126	113	117	194	238
June	90	129	140	135	121	127	130	146	131	130	117	120	118	161	169	234	225	150	124	111	116	192	235
July	90	129	140	135	121	128	131	147	132	129	116	119	118	162	169	236	226	149	124	111	116	192	234
Aug.	90	128	140	134	121	129	132	148	132	129	116	120	118	162	168	238	228	147	124	111	115	192	232
Sept.	90	128	139	134	120	129	132	148	130	129	116	120	116	162	165	238	235	145	122	109	115	193	229
Oct.	90	127	138	133	119	129	133	148	129	129	116	120	117	163	163	234	222	144	121	110	115	195	229
Nov.	90	126	136	132	119	130	132	148	129	128	115		116	163	160	236	228	140	122	110	114	195	236
Dec.	90	125	135	132	117	129	132	148	128	128	114		115	164	160	239	227	141	121	108	113	193	235
Jan.	91	123	135			132	132		129	128	116			166	158	246	230	140	121			198	236
		Growth Rates, Percent																					
Oct.	89	1	1	2	0	4	5	8	-1	5	-4	5	1	7	8	7	2	7	-1	-1	5	4	7
Nov.	89	1	1	2	-1	5	5	9	-1	4	-4	6	1	7	8	5	3	7	-3	1	4	6	7
Dec.	89	1	0	2	-1	6	6	8	-3	5	-4	7	1	7	8	7	1	7	-4	2	3	4	7
Jan.	90	0	-1	2	-3	7	5	8	-3	4	0	6	2	7	6	9	2	7	-4	2	2	4	8
Feb.	90	1	-3	2	-3	8	5	8	-3	4	1	6	1	7	6	13	10	4	-4	2	0	3	14
Mar.	90	1	-1	2	-2	8	4	8	-2	4	0	6	1	8	5	13	5	2	-6	3	-1	3	8
Apr.	90	0	-2	2	-5	6	3	8	0	4	1	6	1	9	4	12	2	2	-6	3	-2	0	5
May	90	1	0	1	-5	7	3	7	1	4	-1	5	1	8	4	8	4	0	-5	5	-2	1	3
June	90	2	0	1	-4	6	3	7	3	4	-1	4	0	8	3	8	1	0	-6	2	-3	0	0
July	90	1	1	0	-4	7	5	7	5	3	-2	3	0	8	3	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	1	-1	-3	8	5	7	4	2	-3	3	0	7	1	8	3	-4	-5	0	-4	-1	-3
Sept.	90	-1	0	-1	-3	6	4	6	1	2	-1	3	-4	5	-3	7	9	-5	-6	-3	-4	0	-5
Oct.	90	-2	-2	-2	-4	6	4	5	0	1	-1	2	-2	5	-6	2	-3	-7	-7	-2	-3	2	-5
Nov.	90	-4	-4	-3	-4	6	3	4	0	-1	-3		-4	5	-8	3	2	-11	-5	-2	-5	1	0
Dec.	90	-5	-5	-4	-6	4	3	3	-2	-1	-4		-4	5	-8	5	0	-9	-6	-5	-6	0	-1
Jan.	91	-6	-5			7	1		-1	-2	-1			7	-10	9	2	-8	-4			4	1
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 13, Number 4 April 1991

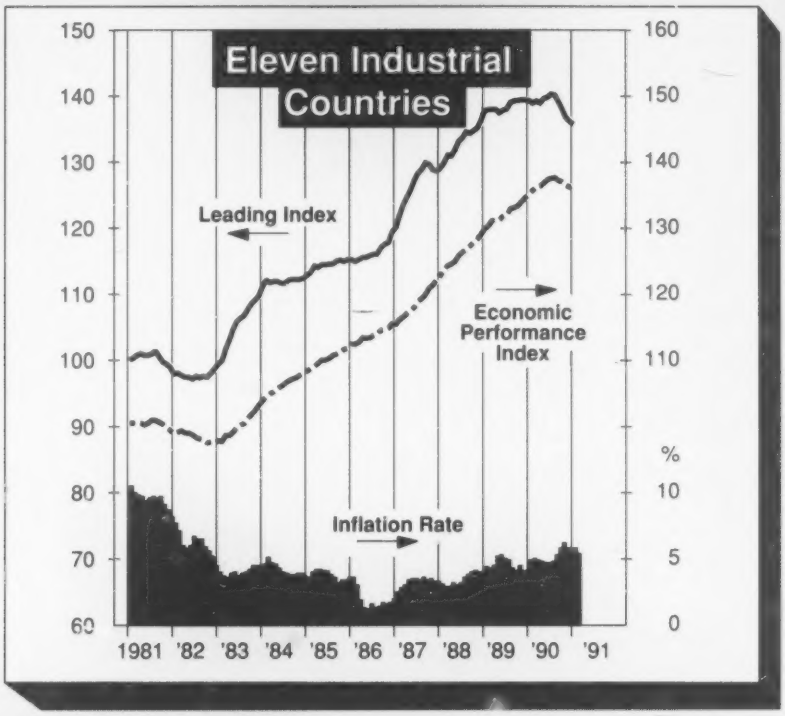
International Economic Scoreboard

INSIDE:

- **Global Economy — Downward Trend Continues.**
- **Leading Indexes Sagging in All Regions.**
- **Inflation — Little Response from the Recession.**

Serving Business and Society for 75 Years

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	*Indexes of Economic Performance Growth Rates **			*Leading Business Cycle Indexes Growth Rates **			*Current Reading on the Cycle*	*Latest Month Covered*
	1976-86	*6 mos. ago*	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
Eleven countries	3	4	1	0	2	-2	-4	Expansion stopped, leaders weak	Jan.
Ten countries (U.S. excl.)	3	6	4	3	2	-2	-4	Expansion continuing, leaders weak	Jan.
North America (2)	3	1	-2	-6	1	-2	-5	Recession continuing, leaders weak	Jan.
Europe (4)	2	6	4	3	3	1	0	Expansion continuing, leaders weak	Jan.
Pacific Region (5)	4	7	4	5	2	-5	-8	Expansion continuing, leaders weak	Jan.
United States	3	0	-4	-7	1	-4	-3	Recession continuing, leaders weak	Feb.
Canada	3	1	-2	-7	-4	-4	-5	Recession continuing, leaders weak	Jan.
Germany	2	8	6	5	5	4	1	Expansion continuing, leaders weak	Feb./Jan.
France	2	7	6	5	4	0	0	Expansion continuing, leaders weak	Jan./Feb.
United Kingdom	2	1	-2	-3	-2	-3	-5	Recession continuing, leaders weak	Feb.
Italy	2	6	3	2	-1	-2	2	Expansion stopped	Oct./Jan.
Japan	4	7	5	5	1	-8	-9	Expansion continuing, leaders weak	Feb.
Korea, R.O.K.	7	8	3	7	3	6	1	Expansion continuing, leaders weak	Feb.
Australia	3	-4	-9	-9	-5	-3	0	Recession continuing, leaders weak	Feb.
New Zealand	2	0	-2	-4	-4	-4	-3	Recession continuing, leaders weak	Feb.
Taiwan, R.O.C.	8	-1	1	2	-3	0	3	Expansion stopped	Feb.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

More Bad News To Come

Although economic prospects vary widely from country to country, weakness still dominates the global business cycle. The 11-country performance index is flat to down, and the leading index is falling gradually. This suggests the world economy, already sagging, has more bad news to absorb in the months ahead.

Five of the eleven nations are in recession, one more than last month. (The addition is the United Kingdom, which was a borderline case last month, but now its cyclical pattern looks more recession-like.) As noted in an earlier report, these five nations are all English-speaking, a fact we still regard as coincidental, not causal.

The indexes of the other six nations trace a mixed pattern. The most interesting — and worrisome — is Japan, where economic expansion has continued but the leading index points decisively in the other direction. The two largest economies in Europe, West Germany and France, also continue to expand, but their leading indexes have been flat for some months now.

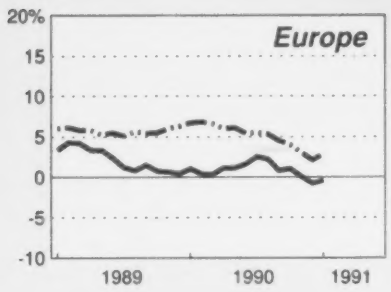
The global inflation picture has changed little of late. The 11-nation rate dropped just a notch this latest month, but it remains above the rate of the first half of 1990. We still expect some modest easing to take place in the months ahead.

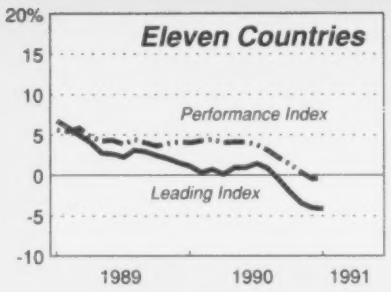
Summary of Inflation Rates, Eleven Industrial Countries

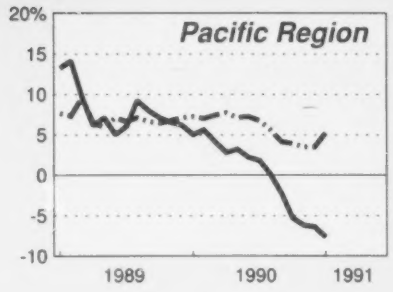
	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.3	5.8	5.4	Volatile	Feb.
Ten countries (U.S. excl.)	5.2	4.9	5.2	5.3	Rising	Feb.
North America (2)	5.6	5.9	6.2	5.6	Falling	Feb.
Europe (4)	6.6	5.9	5.5	4.9	Falling	Feb.
Pacific Region (5)	3.4	3.7	4.9	5.1	Rising	Feb.
United States	5.5	6.5	5.9	4.4	Falling	Mar.
Canada	6.5	3.8	5.5	8.0	High and Rising	Feb.
Germany	2.9	3.2	2.9	2.2	Falling	Mar.
France	7.3	3.6	3.9	3.4	Falling	Feb.
United Kingdom	7.3	11.5	8.3	6.4	Falling	Feb.
Italy	11.2	6.4	6.8	6.7	Steady	Mar.
Japan	2.5	3.0	4.3	4.6	Rising	Feb.
Korea, R.O.K.	8.1	9.8	8.6	10.5	High and Rising	Feb.
Australia	8.4	7.4	5.1	7.1	Volatile	Nov.
New Zealand	11.8	5.4	4.6	3.3	Falling	Feb.
Taiwan, R.O.C.	4.4	5.4	2.5	4.8	Volatile	Feb.

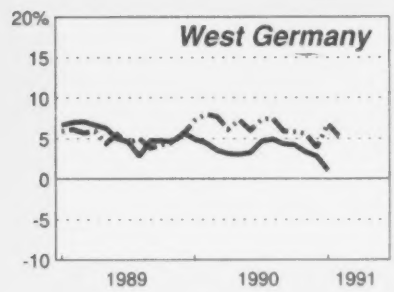
* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

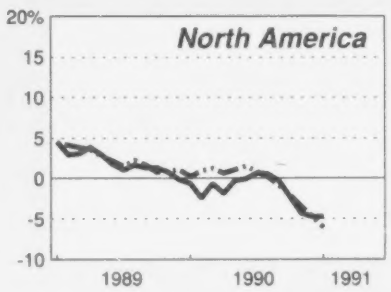
Tracking the Global Cycle

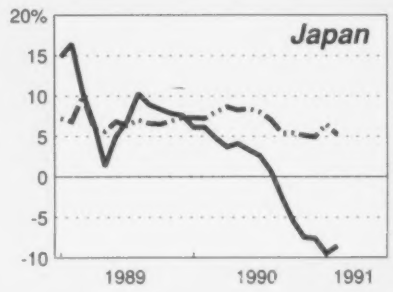


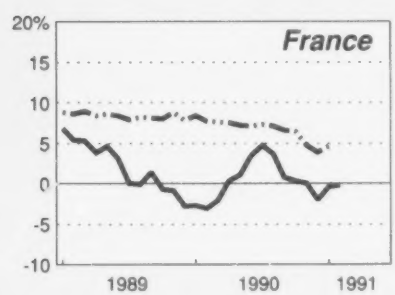


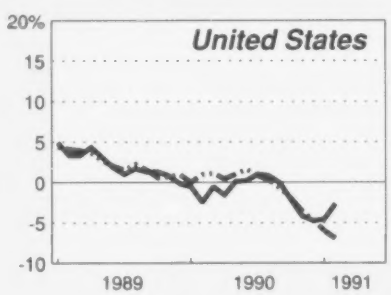


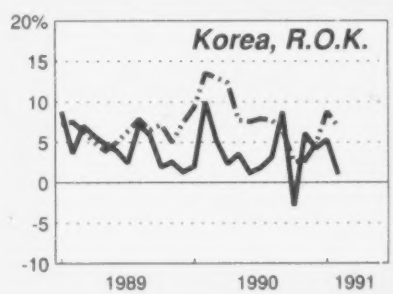


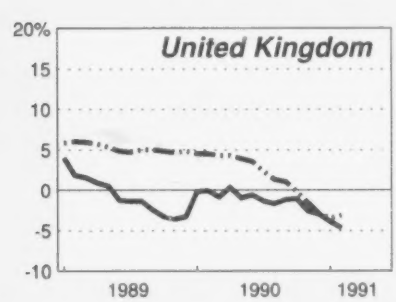


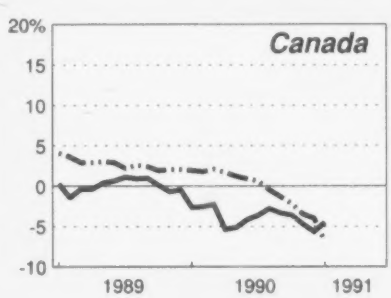


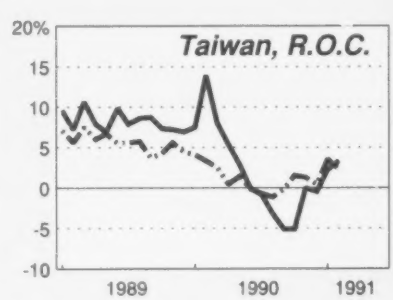


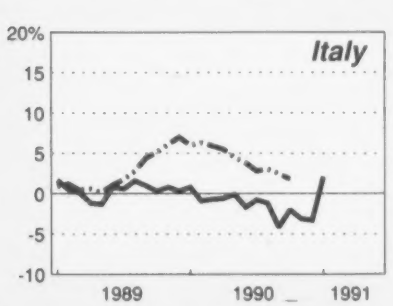


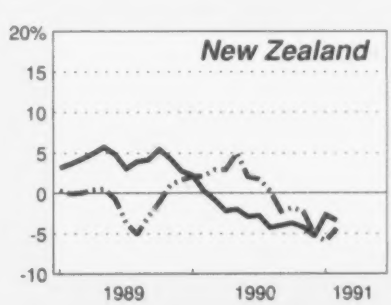


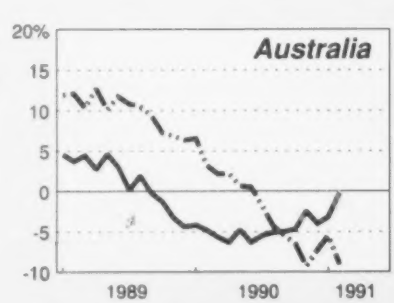










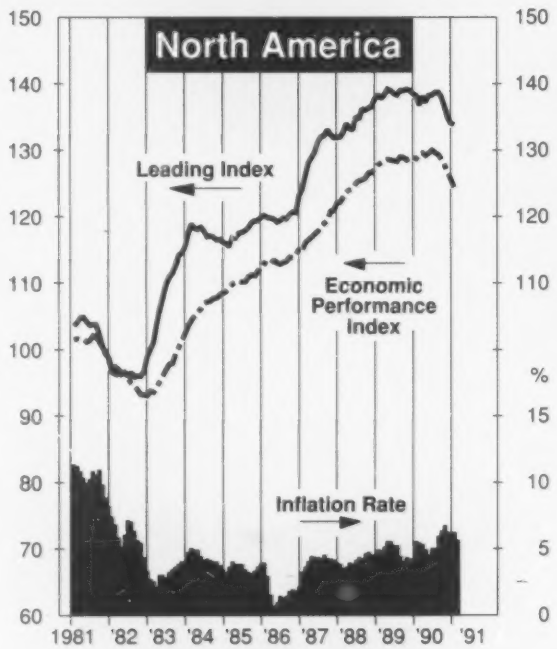


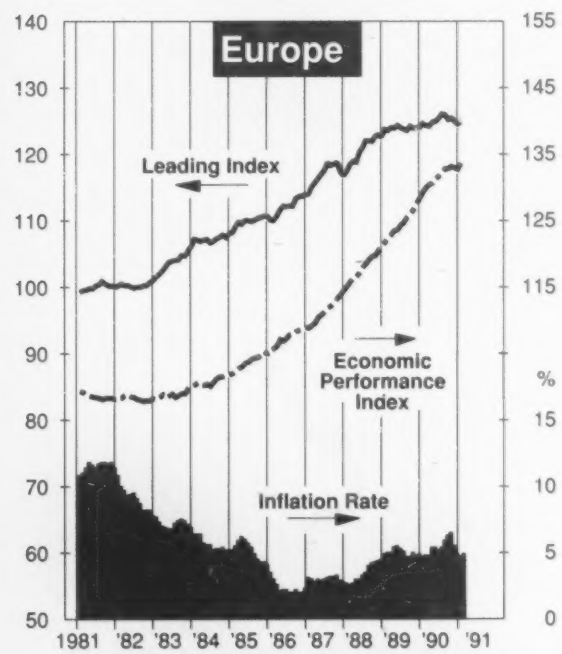
Regions

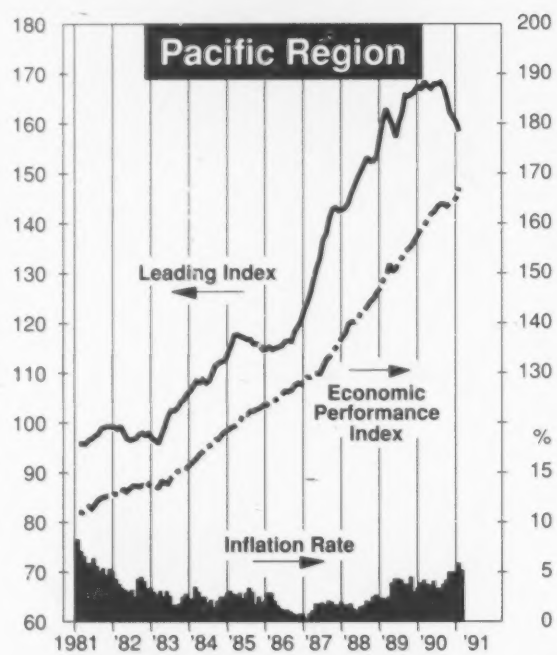
Each of the three regions has a distinctive pattern of its own again this month. North America is in recession, with the leaders still pointed down. The Pacific region (reflecting the dominant size of Japan) is still expanding but its leading index is declining sharply, indicating that the economic expansion in that part of the world is likely to weaken. Europe is also still expanding, but more gradually than before, and its leading index is now virtually dead flat.

The charts to the left show the *growth rates* of the business cycle indexes for every region and country, all plotted on the same scale to ensure comparability. This series of charts is revealing in several ways. First, they make it easier to see how the global recession is spreading. The clear message is that the adverse trends are worldwide. With the possible exception of Korea, every region and country shows some degree of weakness, either a slowing or a decline in its leading index or its performance index or both.

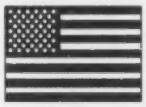
Second, these charts make it easy to compare the timing and intensity of the cyclical downturn from country to country (primarily by examining the performance index — dashed line). The recession hit Australia and Canada earliest, then the United States, the United Kingdom, and New Zealand. The other countries are not in recession, as of our latest data, although Taiwan came close in mid-1990.







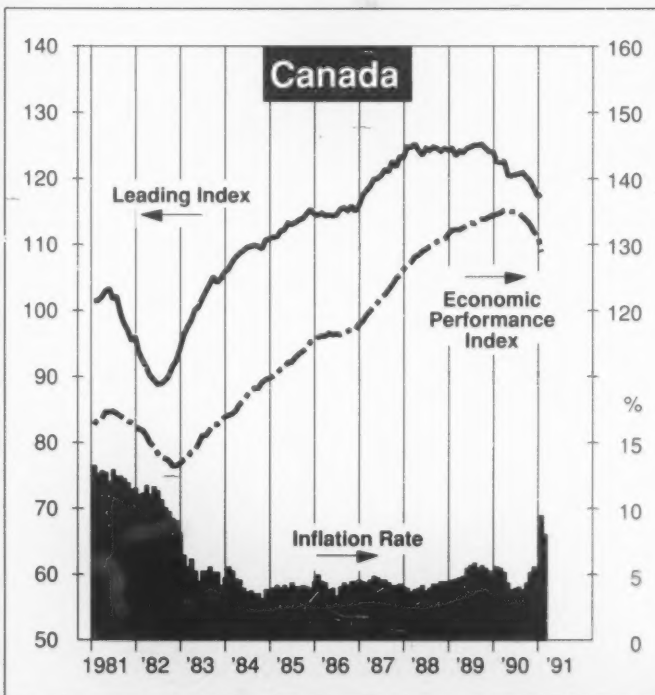
Countries



Recovery Watch

At the latest reading, the U.S. recession continues. But the early indicators are no longer universally weak. In February, the leading index climbed a point, thanks to gains in stock prices, new business formation, and new housing permits, and March may show another gain. However, a careful review of the many signs and portents shows a wide mix of evidence. The timing of a business cycle upturn is still a tough call.

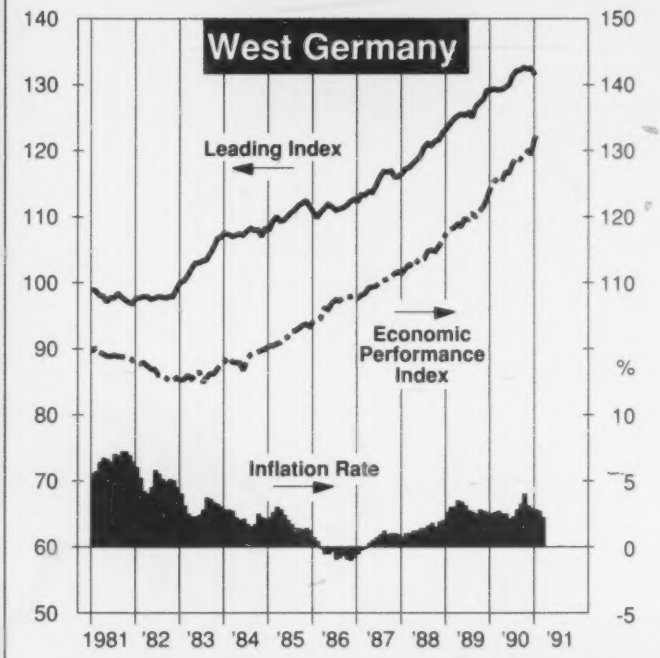
History tells us, however, that in most recessions the upturn takes place with little advance warning. Accordingly, it is a reasonable bet that the U.S. recession will end soon, maybe this spring, or during the summer. The headlines will continue to be black for a while, partly because the statistical reports lag events and partly because pessimism about the economy is still fashionable. But better news will begin to shine through before too long.



It's Not Over Yet

Fifteen months — that is how long Canada's leading index has been falling, and the decline has not slowed. With its largest trading partner, the United States, also in recession, Canada's prospects for economic growth in 1991 are not at all favorable. Unemployment is already over 10 percent and is still climbing.

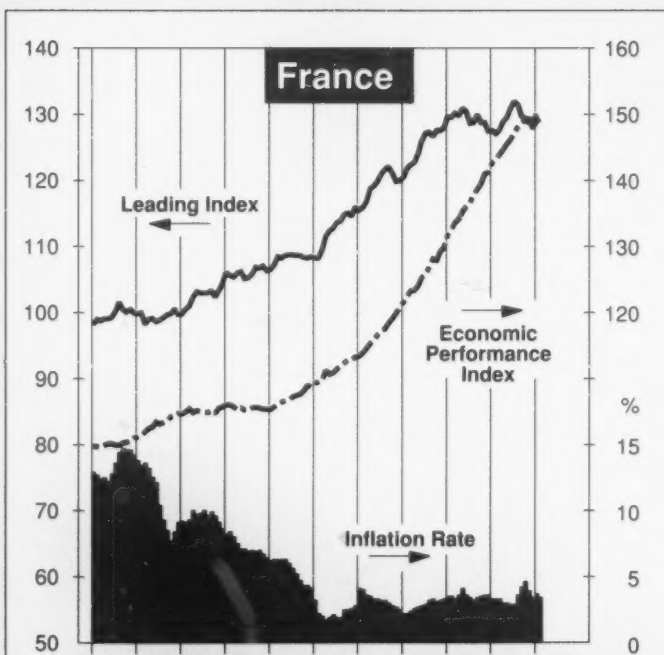
Since the sharp drop in interest rates, Canada's business confidence has shown signs of improvement. With mortgage rates and home prices both lower, housing demand may improve and help generate a recovery. Thus far, however, no such signs are being signalled by the leading index.



Tale of Two Germanies

Once again, what had been a very favorable outlook for the West German economy shows signs of deteriorating. Its leading index, which was advancing vigorously last summer, is now essentially flat.

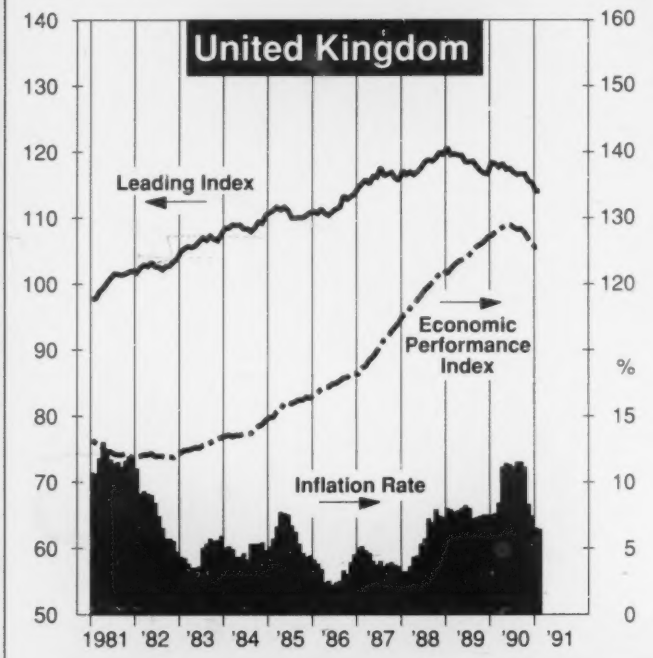
The main problem for West Germany is East Germany. The euphoria of reunification has vanished. In its place is the burden of restructuring an outmoded industrial plant. Most analysts continue to forecast a "better-than-others" growth rate for 1991, but clearly the bloom is off the reunification rose.



Slowdown Confirmed

The official forecast for economic growth in France for 1991 has been cut back to 2 percent this year. Declining industrial production, stagnant investment, a rising current account deficit, and increasing unit labor costs are cited as the main reasons for the slower growth forecast.

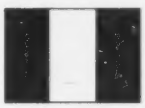
The prospect of a cyclical slowdown is confirmed by the flattening of the leading index since last summer. Indeed, economic growth could be reduced below the official forecast, although recent gains in the French stock market have discouraged the more pessimistic analysts.



No Recovery in Sight

The U.K. leading index has been declining since mid-1989, which led to the current cyclical downturn of the economy. Among the major economic statistics, the unemployment data have been the most negative; production and retail sales data have been mixed.

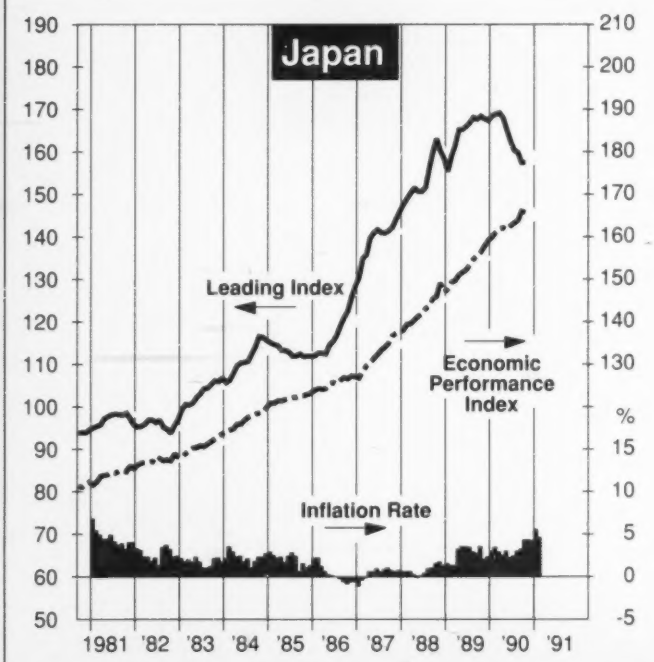
By contrast, weakness among the leading indicators — other than stock prices — has been quite widespread. At the moment, therefore, little evidence is available that points to an early end of the recession.



More Confusion than Clarity

Although the Italian statistics — partly because of their typically long delays — are again difficult to read with confidence. On the surface, Italy's economy appears to be growing at a reasonable pace — by 3 percent in 1989 and by 2 percent in 1990. This past year there was no growth in the industrial sector, but strength in consumption and investment sustained the economy's forward momentum.

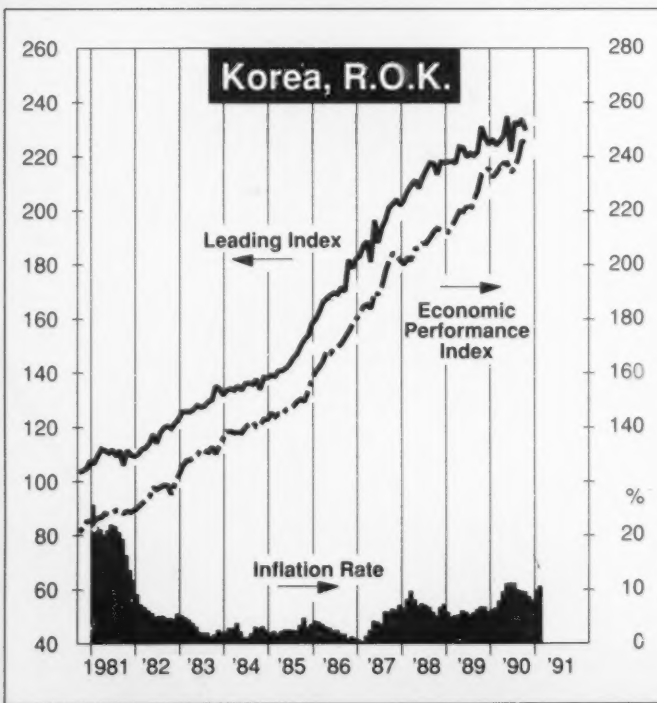
As we look ahead, the leading index is more a source of confusion than of clarity. After sagging steadily throughout 1990, the leading index climbed sharply in January, thanks almost solely to a dramatic rally in stock prices. At this point, perhaps the best we can look for is more slow growth for 1991.



Mixed Bag

Japan is a study in contrasting numbers. Its performance index is growing at a healthy 5 percent rate. At the same time, however, its leading index is declining at a 9 percent pace. Accordingly, the Japanese economy, like most other industrialized countries, is showing signs of cyclical weakness.

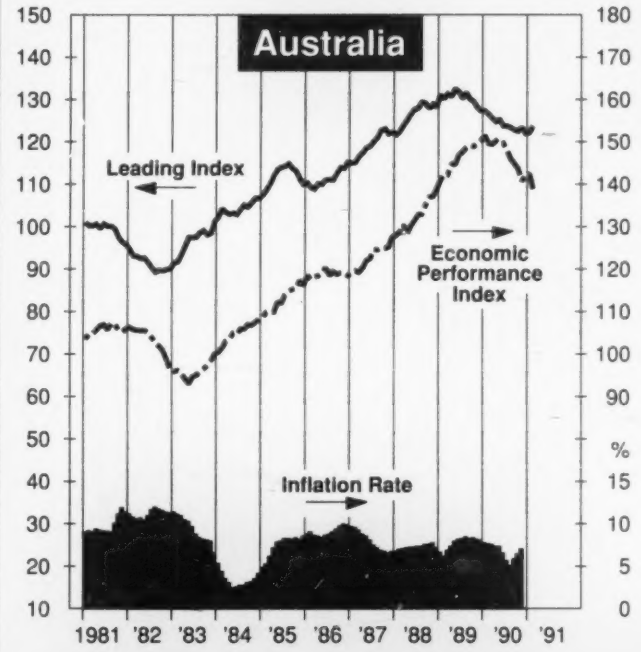
A survey by the Economic Planning Agency of Japan shows that capital spending — about 15 percent of GNP — will be growing at a trivial 1.2 percent rate in 1991. This would be the first year that investment growth was below 10 percent since 1987. Recent declines in business confidence and flat retail sales and industrial production are other key indicators of where the economy is headed — toward a cyclical slowdown. As the chart shows, the declines in the leading index, in 1982 and 1985, did not result in a general economic downturn in the performance index. The recent pattern of the leading index, however, is more worrisome than in those earlier periods.



Immune from Recession?

Throughout the current global economic slowdown, Korea has been the exception. Both its performance and leading indexes have advanced faster than in the other countries reported here. This record was confirmed by Korea's 9 percent GNP growth rate for 1990. What is going on? Don't the Koreans know the global economy is slowing down?

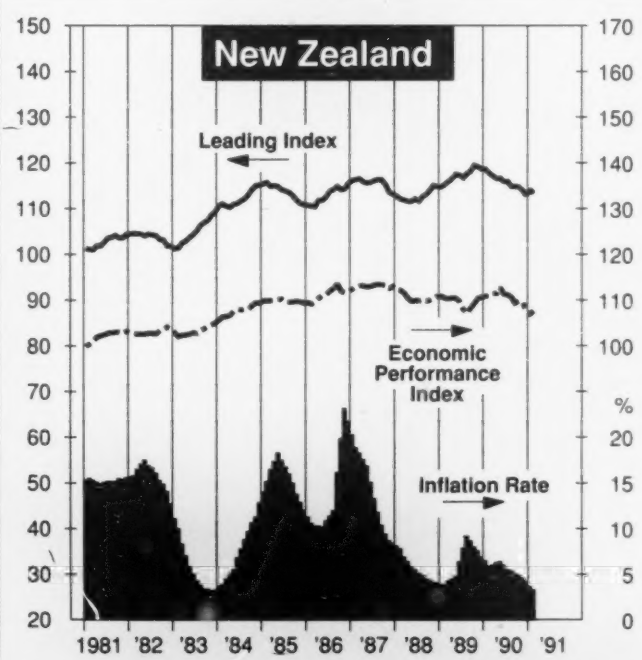
The largest component of Korean growth last year was domestic construction, which increased by 56 percent. This offset the trade deficit resulting from higher oil imports and lower export demand. If domestic construction and its export markets slow down this year as expected, Korea's economy will start to weaken, too. The United States and Japan represent more than 50 percent of Korea's export markets; with these two economies weak, Korea will register slower growth in 1991, perhaps around 5 to 7 percent.

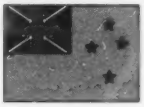


Dim Light at the End of the Tunnel

Although it was the first country to enter the current global economic slowdown, Australia's recovery is not yet in view. Many analysts do not expect a revival to begin until the third quarter of this year.

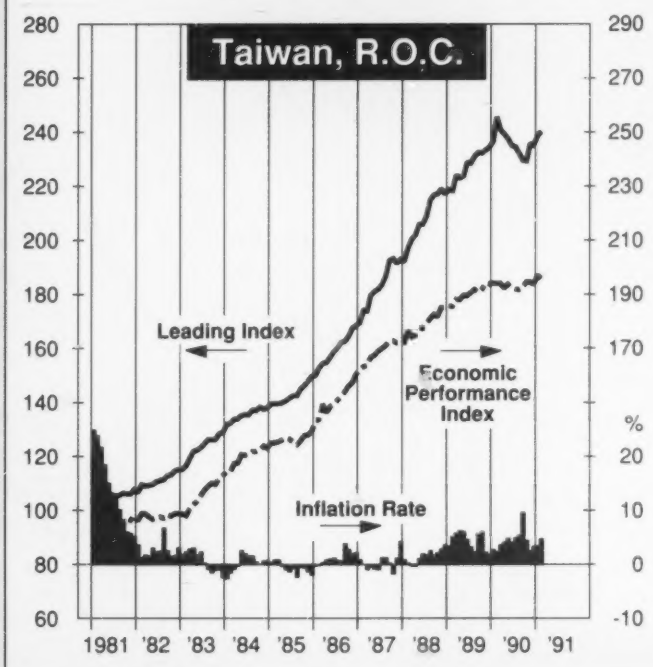
The unemployment rate, currently around 8 percent, is expected to rise to 9.5 percent sometime this year. The one ray of hope, a modest ray, is the fact that the leading index stopped falling as of last October.





Bumpy Ride

For a year now, the New Zealand economy has been declining gradually. The United States, Australia, and Japan represent nearly half of New Zealand's trade, which is probably enough by itself to put New Zealand into recession. It also suggests that prospects for an early recovery are limited. Any stimulus, at least initially, must come from internal sources.



An Improved Outlook

Watching the Taiwanese economic numbers over the past year is like watching a bouncing ball — last year, the growth rate of the performance index changed direction seven times. According to the current pattern of the indicators, however, Taiwan's outlook for 1991 seems to be better than 1990. Nevertheless, rising inflation (up to 7 percent in 1991 compared to 4 percent in 1990), and rising capital equipment imports from the United States will hinder growth somewhat.

A major uncertainty is Taiwan's current political reform — the first of its kind since the 1940s. Government investment in infrastructure and capital equipment purchases by the private sector will fuel growth this year. In sum, we expect Taiwan's economy to grow about 7 percent in 1991.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Philip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	133	139	137	139	128	139	126	124	155	166
Nov.	89	134	140	138	139	128	139	127	124	156	166
Dec.	89	135	140	139	139	129	138	128	124	157	167
Jan.	90	135	139	140	140	128	138	129	124	158	167
Feb.	90	136	139	141	140	129	136	130	124	159	168
Mar.	90	136	139	141	140	129	138	130	124	160	167
Apr.	90	136	139	142	139	129	137	130	125	161	166
May	90	137	140	142	140	129	138	131	125	162	168
June	90	137	140	143	141	130	138	131	125	163	168
July	90	138	140	144	141	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	163	167
Sept.	90	137	139	144	139	128	138	133	125	163	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	137	144	137	126	134	133	125	164	161
Dec.	90	136	136	144	137	125	134	132	124	165	160
Jan.	91	136	136	145	136	124	134	133	125	167	158

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct. 89	4	3	6	3	1	1	6	1	6	7
Nov. 89	4	2	6	3	1	1	6	1	7	7
Dec. 89	4	2	6	3	1	0	6	0	7	6
Jan. 90	4	1	7	3	0	-1	7	1	7	5
Feb. 90	4	0	7	3	1	-3	7	0	7	6
Mar. 90	5	1	7	2	1	-1	7	0	7	4
Apr. 90	4	0	6	2	1	-2	6	1	8	3
May 90	4	1	6	2	1	0	6	1	7	3
June 90	4	1	6	2	2	0	5	2	7	2
July 90	4	2	6	2	1	1	6	3	7	2
Aug. 90	3	1	5	1	0	1	5	2	6	0
Sept. 90	2	-1	4	-1	-1	0	5	1	4	-2
Oct. 90	1	-2	4	-2	-2	-2	4	1	4	-5
Nov. 90	0	-3	3	-3	-4	-4	3	0	4	-6
Dec. 90	0	-4	2	-4	-5	-5	2	-1	4	-6
Jan. 91	0	-4	3	-4	-6	-5	3	0	5	-8
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	128	140	134	125	121	127	140	129	126	117	116	117	152	166	222	220	149	130	109	120	192	232
Nov.	89	128	140	134	124	122	128	141	129	127	117	117	118	154	167	220	222	150	128	110	119	194	233
Dec.	89	128	140	134	124	123	129	141	128	127	117	118	117	155	168	224	221	150	127	111	119	194	234
Jan.	90	128	139	135	123	124	129	143	128	127	118	118	118	156	168	228	222	152	127	111	119	194	236
Feb.	90	128	138	135	122	125	129	143	127	128	118	119	116	156	168	234	231	150	127	111	118	194	246
Mar.	90	129	139	135	123	126	129	144	128	128	118	119	117	158	168	235	227	150	126	112	117	194	241
Apr.	90	128	138	135	120	125	129	145	129	128	118	120	117	159	167	236	225	150	125	112	116	192	239
May	90	129	140	135	120	127	130	146	130	129	117	119	117	160	168	233	227	149	125	113	117	194	238
June	90	129	140	135	121	127	130	146	131	129	117	120	116	161	169	234	225	150	124	111	116	192	235
July	90	129	140	135	121	128	131	147	132	128	117	119	117	162	169	236	226	148	124	111	116	192	234
Aug.	90	128	140	134	121	129	132	148	132	128	116	120	116	162	168	238	228	146	123	111	115	192	232
Sept.	90	128	139	134	120	129	132	149	130	128	117	120	114	162	165	238	235	145	123	109	115	193	230
Oct.	90	127	138	133	120	129	133	149	130	128	117	120	115	163	163	234	222	144	122	110	115	195	229
Nov.	90	126	136	132	118	130	132	149	129	127	116		114	163	160	236	233	141	123	110	114	195	236
Dec.	90	125	135	131	117	130	132	149	128	126	115		114	164	160	240	232	142	122	108	113	194	235
Jan.	91	124	135	129	118	132	132	150	129	126	114		117	166	158	246	234	143	122	107	114	197	239
Feb.	91	122	136			132			129	126	114			166	158	245	230	139	124	108	113	196	240
		Growth Rates, Percent																					
Oct.	89	1	1	2	0	4	5	8	-1	5	-3	5	0	7	8	7	2	7	-1	-1	5	4	7
Nov.	89	1	1	2	-1	5	5	9	-1	4	-4	6	1	7	8	5	3	7	-3	1	4	6	7
Dec.	89	1	0	2	-1	6	6	8	-3	5	-3	7	0	7	8	7	1	6	-4	2	3	4	7
Jan.	90	0	-1	2	-3	7	5	8	-3	5	0	6	1	7	6	9	2	7	-4	2	2	4	8
Feb.	90	1	-3	2	-3	8	5	8	-3	5	0	6	-1	7	6	14	10	3	-5	2	0	3	14
Mar.	90	1	-1	2	-2	8	4	8	-2	4	-1	6	-1	8	5	13	5	2	-6	3	-1	3	8
Apr.	90	0	-2	2	-5	6	3	8	0	4	-0	6	-1	9	4	12	2	2	-6	3	-2	0	5
May	90	1	0	1	-5	7	3	7	1	4	-1	5	0	8	4	8	4	1	-5	5	-2	1	3
June	90	2	0	1	-4	6	3	7	3	4	-1	4	-2	8	3	8	1	1	-6	2	-3	0	0
July	90	1	1	1	-4	7	5	7	5	2	-1	3	-1	8	3	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	1	-1	-3	8	5	7	4	1	-2	3	-1	7	1	8	3	-4	-5	0	-4	-1	-3
Sept.	90	-1	0	-1	-3	6	4	7	1	1	-1	3	-4	5	-3	7	9	-6	-5	-2	-4	0	-5
Oct.	90	-2	-2	-2	-4	6	4	6	0	0	-1	2	-2	5	-6	3	-3	-7	-5	-2	-4	2	-5
Nov.	90	-4	-4	-4	-5	6	3	5	0	-2	-3		-3	5	-8	3	6	-9	-3	-2	-4	1	0
Dec.	90	-5	-5	-4	-6	4	3	4	-2	-3	-3		-3	5	-8	5	4	-7	-4	-5	-5	0	-1
Jan.	91	-6	-5	-7	-5	7	1	5	-1	-4	-4		2	7	-10	9	5	-6	-3	-6	-3	4	2
Feb.	91	-7	-3			5			0	-3	-5			5	-9	7	1	-9	0	-4	-3	2	3
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 13, Number 5 May 1991

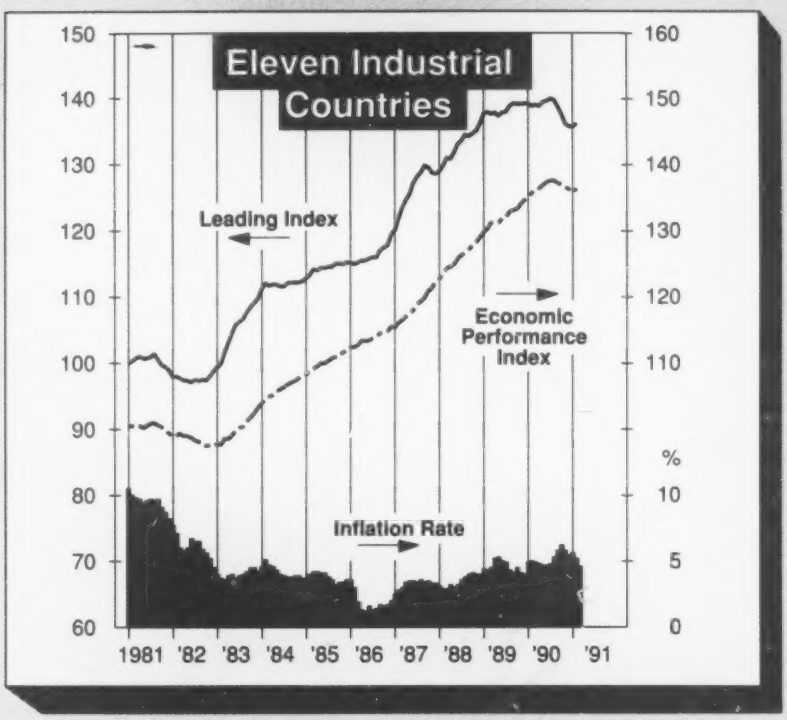
International Economic Scoreboard

INSIDE:

- **Global Recessionary Trend Continues.**
- **U.S. & Japan — Different Phases of the Cycle.**
- **Inflation — Modest Improvement.**

Serving Business and Society for 75 Years

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	3	0	-1	1	-4	-3	Expansion stopped, leaders weak	Feb.
Ten countries (U.S. excl.)	3	5	3	2	1	-3	-3	Expansion continuing, leaders weak	Feb.
North America (2)	3	0	-4	-7	0	-5	-2	Recession continuing, leaders weak	Feb.
Europe (4)	2	5	3	2	2	0	0	Expansion continuing, leaders weak	Feb.
Pacific Region (5)	4	6	3	4	0	-6	-7	Expansion continuing, leaders weak	Feb.
United States	3	-1	-5	-7	0	-5	-4	Recession continuing, leaders weak	Mar.
Canada	3	-1	-4	-7	-3	-5	-2	Recession continuing, leaders weak	Feb.
West Germany	2	6	4	5	4	3	1	Expansion continuing, leaders weak	Mar.
France	2	7	5	3	0	-3	6	Expansion continuing	Feb./Mar.
United Kingdom	2	1	-2	-3	-1	-3	0	Recession continuing, leaders weak	Feb./Mar.
Italy	2	6	3	2	-1	-3	4	Expansion stopped	Oct./Feb.
Japan	4	6	5	2	-3	-8	-7	Expansion stopped, leaders weak	Mar.
Korea, R.O.K.	7	6	5	5	9	3	1	Expansion continuing, leaders weak	Mar.
Australia	3	-6	-7	-12	-5	-4	-3	Recession continuing, leaders weak	Mar.
New Zealand	2	0	-2	-4	-4	-4	-3	Recession continuing, leaders weak	Feb.
Taiwan, R.O.C.	8	0	0	9	-5	-1	5	Expansion resumed	Mar.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Still in Recession

The global business cycle continues to show widespread but moderate recession. At the latest reading, the 11-country composite indexes are both falling — the performance index at a 1 percent annual rate, the leading index at a 3 percent rate. About half of the nations included in this report show recession either in progress or in prospect. These include the world's two largest economies, the United States and Japan. As detailed on the following page, the U.S. is among the economies in recession; Japan is evidently not there yet, but is giving off a number of signals it's headed in that direction.

Nationally, the pattern has changed little since last month. As before, Australia, Canada, the United States, New Zealand and the United Kingdom are in recession. Japan's indexes, as mentioned, are moving that way. The French and Italian leading indexes have been bouncing around somewhat randomly for the past year or more, but just now they look a bit more encouraging. West Germany's numbers are still in the plus column, but its leading index has been flat for over half a year. Very much the same can be said for Korea. The only nation with clearly optimistic indexes is Taiwan.

You have to look carefully to find them, but there are a few signs of optimism scattered among the data. Although the change is very limited in most cases, eight of the eleven countries show improvement in their leading-index growth rates compared with 3 months ago. The same sort of statement can be made about the "long leading" indexes calculated for five of these countries by the CIBCR (see page 5). These harbingers of a turnaround are not strong enough to suggest that a recovery in the global business cycle is around the corner, but they do relieve the gloom somewhat.

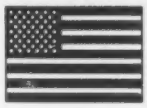
The price data have become more encouraging. The 11-nation inflation rate has dropped almost a point in the latest 3-month period and a bit more than a point over the past 6 months. All three regions and seven of the eleven countries show a slowing inflation picture over the latest 3 months. In most areas, both falling energy prices and the price-suppressing impact of recession are behind this restraint.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.8	5.4	4.6	Falling	Mar.
Ten countries (U.S. excl.)	5.2	5.3	4.8	4.7	Falling	Mar.
North America (2)	5.6	6.3	5.9	4.7	Falling	Mar.
Europe (4)	6.6	6.3	4.9	4.3	Falling	Mar.
Pacific Region (5)	3.4	4.1	4.6	4.5	Volatile	Mar.
United States	5.5	6.8	5.9	4.0	Falling	Apr.
Canada	6.5	4.3	4.8	7.6	Rising	Mar.
West Germany	2.9	4.0	2.8	2.6	Falling	Apr.
France	7.3	4.2	3.4	2.9	Falling	Mar.
United Kingdom	7.3	11.5	7.4	5.8	Falling	Mar.
Italy	11.2	6.5	6.7	6.5	Steady	Apr.
Japan	2.5	3.2	4.2	4.2	Rising	Mar.
Korea, R.O.K.	8.1	9.7	8.2	11.5	High and Rising	Mar.
Australia	8.4	5.1	7.1	3.9	Falling	Feb.
New Zealand	11.8	5.4	4.6	3.3	Falling	Feb.
Taiwan, R.O.C.	4.4	9.6	3.4	3.5	Volatile	Mar.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

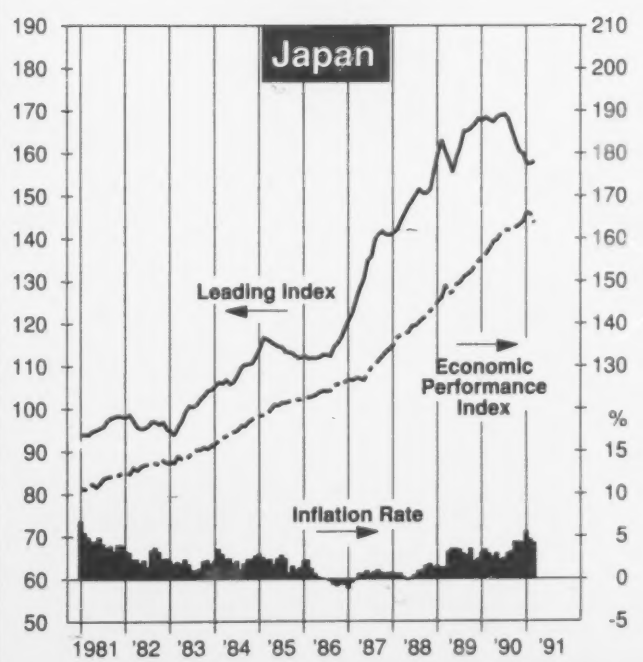
Countries



Hints of Recovery Ahead

The recession in the United States continued apace through March. The U.S. leading index, however, appears to have stopped declining as of year end, and its improvement in February and again (partial data suggest) in April may be signaling that a recovery will get underway before too long.

The U.S. inflation data show definite — albeit moderate — improvement. The rate of change in consumer prices has declined almost 2 percentage points over the latest 3-month period and almost 3 percentage points over the past half year. Much of that represents the post-Gulf-war decline in world oil prices, but the so-called "core" inflation rate (calculated to exclude the volatile elements of food and energy) also shows a slowdown. Furthermore, the employment cost index (wages, salaries, bonuses and benefits) now shows a modest slowdown on the cost side of the inflation picture.



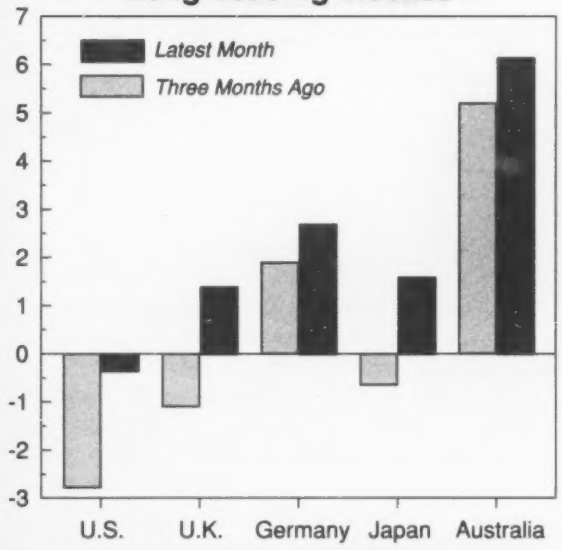
Downturn or Just a Hesitation?

Although the Japanese economic performance index has not yet faltered in any meaningful way, its leading business-cycle index has been falling sharply since last August. At first this plunge in the leaders seemed to be restricted mainly to the Japanese stock market, but now we can see it (to a greater or lesser degree) in business failures, new orders, dwelling units started, raw materials prices, and other components of the leading index.

Historically, the Japanese leaders have shown themselves to be very volatile. That is, on some past occasions the leading index has dropped sharply for a time and then recovered quickly, and the economy slowed its growth for a while but did not develop a full-fledged recession.

Accordingly, it is still too early to project a recession for 1991. It would be something of a surprise, however, if the long expansion of the Japanese economy did not at least level off for a few months. Indeed, the February and March data for the performance index suggest something like that may be taking place now.

Growth Rates of the Long-Leading Indexes



Source: Center for International Business Cycle Research

A Ray of Hope

In addition to the standard cyclical indexes, the Center for International Business Cycle Research also calculates "long leading" indexes for five of the eleven industrial countries covered by the *Scoreboard.* These "long leading" indexes are comprised of statistical time series that show a historical tendency to lead the business cycle by a longer-than-average interval. (The offsetting disadvantage is that they have a tendency to be somewhat more erratic than average.)

The growth rates for these long leading indexes — for the latest month and for three months earlier — are shown in the chart at the left. For four of the five countries, the latest growth rates are positive. Furthermore, in each case, the latest growth rate is an improvement from three months ago.

This is a tentative and preliminary signal, to be sure, but at the moment it is almost the only favorable augury available for the global business cycle, and thus should not be ignored.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries,* Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	133	139	137	139	128	139	126	124	155	166
Nov.	89	134	139	138	139	128	138	127	124	156	166
Dec.	89	135	139	139	139	129	138	128	124	157	167
Jan.	90	135	139	140	140	128	138	129	124	158	167
Feb.	90	136	139	141	140	129	137	130	124	159	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	131	125	162	166
May	90	137	140	142	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	132	125	163	168
July	90	138	140	144	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	163	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	136	144	137	126	134	133	124	164	161
Dec.	90	136	136	144	137	125	133	133	124	165	160
Jan.	91	137	136	145	136	124	134	134	125	167	158
Feb.	91	136	136	145	136	123	135	134	125	166	158

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct. 89	4	3	6	3	1	1	6	1	6	7
Nov. 89	4	2	6	3	1	0	6	0	7	7
Dec. 89	4	2	6	3	1	0	6	0	7	6
Jan. 90	4	1	7	3	0	-1	7	1	7	5
Feb. 90	4	1	7	3	1	-2	7	1	7	6
Mar. 90	5	1	7	2	1	-1	7	0	7	4
Apr. 90	4	0	7	2	1	-2	6	1	8	3
May 90	4	1	6	2	1	-1	6	1	7	3
June 90	4	1	6	2	2	0	5	2	7	2
July 90	4	1	6	2	1	0	6	2	7	2
Aug. 90	3	1	5	1	0	0	5	2	6	0
Sept. 90	2	-1	4	-1	-1	-1	4	1	4	-2
Oct. 90	1	-2	4	-2	-2	-3	4	1	4	-5
Nov. 90	0	-4	3	-3	-4	-5	3	0	3	-6
Dec. 90	0	-4	2	-4	-5	-5	2	-1	4	-6
Jan. 91	0	-4	3	-4	-6	-4	3	0	5	-8
Feb. 91	-1	-3	2	-3	-7	-2	2	0	4	-7
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	128	140	134	125	121	127	140	129	126	117	116	117	152	166	222	220	149	129	109	120	192	232
Nov.	89	128	140	134	124	122	128	142	128	126	117	117	118	154	167	220	222	150	128	110	119	194	233
Dec.	89	128	140	134	124	123	129	142	128	127	117	118	117	155	168	224	221	150	127	111	119	194	234
Jan.	90	128	139	135	123	124	129	143	128	127	118	118	118	156	168	228	222	152	127	111	119	194	236
Feb.	90	128	138	135	122	125	129	144	127	128	118	119	116	156	168	234	231	150	127	111	118	194	246
Mar.	90	129	139	135	122	126	129	144	128	128	118	119	117	158	168	235	227	150	126	112	117	194	241
Apr.	90	128	138	135	120	125	129	145	129	129	118	120	117	159	167	236	225	150	125	112	116	192	239
May	90	129	139	135	120	127	130	146	130	129	117	119	117	160	168	233	227	149	125	113	117	194	238
June	90	129	139	135	121	127	130	147	131	129	117	120	116	161	169	234	225	149	124	111	116	192	235
July	90	129	140	135	121	128	131	148	132	129	117	119	117	162	169	236	226	148	124	111	116	192	234
Aug.	90	128	140	134	121	129	132	148	131	128	116	120	116	162	168	238	228	146	123	111	115	192	232
Sept.	90	128	139	134	120	129	132	149	129	128	117	120	114	162	165	238	235	145	123	109	115	193	230
Oct.	90	127	137	133	120	129	133	150	129	128	117	120	115	163	163	234	222	144	122	110	115	195	229
Nov.	90	126	135	132	118	130	132	149	128	127	116		114	163	160	236	233	141	123	110	114	195	236
Dec.	90	125	135	131	117	130	132	149	127	126	115		114	164	160	240	231	142	122	108	113	194	235
Jan.	91	124	135	129	118	132	132	151	128	126	114		118	166	158	246	233	143	122	107	114	197	239
Feb.	91	123	136	128	119	132	131	150	129	126	115		119	166	158	245	229	140	124	108	113	201	239
Mar.	91	122	135			132	132		133		116			164	158	244	229	136	122			203	242
		Growth Rates, Percent																					
Oct.	89	1	1	2	0	4	5	8	-1	5	-3	5	0	7	8	7	2	7	-1	-1	5	4	7
Nov.	89	1	1	2	-1	5	5	9	-2	5	-4	6	1	7	8	5	3	7	-3	1	4	6	7
Dec.	89	1	0	2	-1	6	6	8	-3	5	-3	7	0	7	8	8	1	6	-4	2	3	4	7
Jan.	90	0	0	2	-3	7	5	9	-3	4	0	6	1	7	6	9	2	7	-4	2	2	4	8
Feb.	90	1	-2	2	-3	8	5	8	-3	5	0	6	-1	7	6	14	10	4	-5	2	0	3	14
Mar.	90	1	-1	2	-3	8	4	8	-2	4	-1	6	-1	8	5	13	5	2	-6	3	-1	3	8
Apr.	90	0	-2	2	-5	6	3	8	1	4	0	6	-1	9	4	12	2	2	-6	3	-2	0	5
May	90	1	0	1	-5	7	3	7	2	4	-1	5	0	8	4	8	4	1	-5	5	-2	1	3
June	90	2	0	1	-4	6	3	7	3	4	-1	4	-2	8	3	8	1	0	-6	2	-3	0	0
July	90	1	1	1	-4	7	5	7	4	2	-1	3	-1	8	3	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	5	7	3	1	-2	3	-1	7	1	8	3	-4	-5	0	-4	-1	-3
Sept.	90	-1	0	-1	-3	6	4	6	0	1	-1	3	-4	6	-3	6	9	-6	-5	-2	-4	0	-5
Oct.	90	-2	-3	-2	-4	3	4	6	-1	0	-1	2	-2	5	-6	2	-3	-7	-5	-2	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	3	5	-1	-2	-3		-3	5	-8	3	6	-9	-3	-2	-4	1	0
Dec.	90	-5	-5	-4	-6	4	3	4	-3	-3	-3		-3	5	-8	5	3	-7	-4	-5	-5	0	-1
Jan.	91	-6	-4	-7	-4	7	2	5	-1	-3	-4		3	7	-10	9	4	-5	-3	-6	-3	4	2
Feb.	91	-7	-2	-7	-2	6	0	3	0	-3	-3		4	5	-9	7	0	-7	0	-4	-3	7	2
Mar.	91	-7	-4			5	1		6		0			2	-7	5	1	-12	-3			9	5
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

R4105-6

The Conference Board

Volume 13, Number 6 June 1991

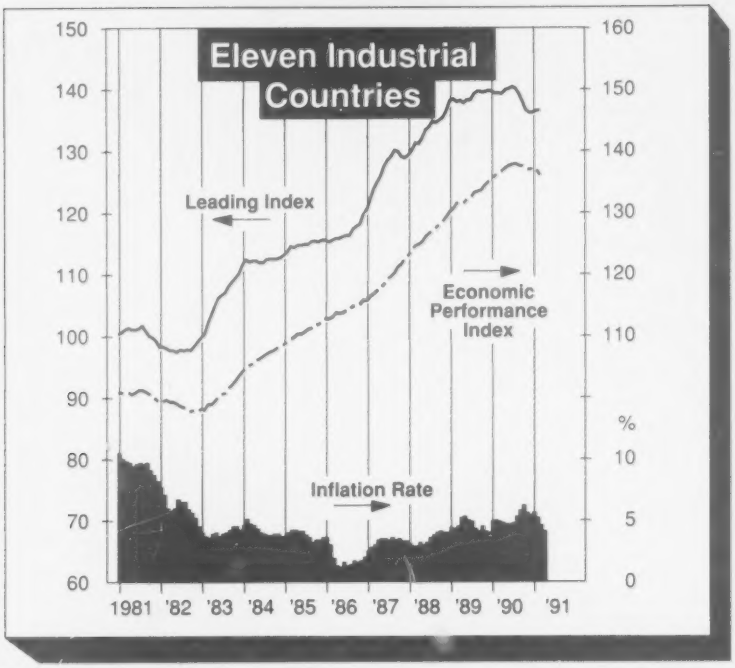
International Economic Scoreboard

INSIDE:

- **Hint of Turnaround in Global Leading Index**
- **Germany — Continued Strong Growth**
  France — Improved Outlook
- **Inflation — Slowing Steadily**

Serving Business and Society for 75 Years

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	2	0	-2	-1	-4	-2	Expansion stopped, leaders weak	Mar.
Ten countries (U.S. excl.)	3	4	3	2	-1	-3	-1	Expansion continuing, leaders weak	Mar.
North America (2)	3	-1	-5	-8	-1	-5	-4	Recession continuing, leaders weak	Mar.
Europe (4)	2	5	3	2	1	0	3	Expansion continuing, leaders weak	Mar.
Pacific Region (5)	4	5	4	3	-2	-6	-6	Expansion continuing, leaders weak	Mar.
United States	3	-2	-6	-7	-3	-5	-1	Recession continuing, leaders weak	Apr.
Canada	3	-1	-4	-8	-3	-6	-2	Recession continuing, leaders weak	Mar.
West Germany	2	6	7	2	4	4	4	Expansion continuing	Apr./May.
France	2	6	4	2	0	-1	7	Expansion continuing	Mar./Apr.
United Kingdom	2	1	-3	-2	-1	-4	0	Recession continuing, leaders weak	Mar./Apr.
Italy	2	1	4	5	-4	-3	7	Expansion continuing	Jan./Mar.
Japan	4	6	7	6	-6	-8	-9	Expansion continuing, leaders weak	Apr.
Korea, R.O.K.	7	4	10	12	-2	5	4	Expansion continuing	Apr.
Australia	3	-7	-4	-14	-5	-4	0	Recession continuing, leaders weak	Apr.
New Zealand	2	-1	-2	-5	-4	-6	-4	Recession continuing, leaders weak	Mar.
Taiwan, R.O.C.	8	2	4	4	-5	2	8	Expansion resumed	Apr.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

First Signs of Recovery

With just one or two exceptions, the cyclical indexes look very much the same as last month. The overall picture remains one of global recession, with the 11-country performance index still declining. The worldwide leading index, however, although it remains at a low level, has moved fractionally higher for two months now, the first signs that a recovery is in the offing.

The country by country picture is also little changed. The five countries in recession — Australia, Canada, the U.S., the U.K. and New Zealand — remain there. Although in each case the leading indexes are hinting at a turnaround (in the United States, partial data for May reinforce that hint.)

The leading index for Japan, on the other hand, continues to look pretty sour. The most encouraging data are found on continental Europe (as discussed on page 4).

The global inflation data show further improvement. The 11-country inflation rate has fallen fairly steadily from a recent year peak of 6.2 percent last October to 4.1 percent as of April.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	6.2	5.6	4.1	Falling	Apr.
Ten countries (U.S. excl.)	5.2	5.7	5.5	4.2	Falling	Apr.
North America (2)	5.6	6.7	6.2	4.2	Falling	Apr.
Europe (4)	6.6	6.5	4.8	4.2	Falling	Apr.
Pacific Region (5)	3.4	4.9	5.6	3.6	Falling	Apr.
United States	5.5	6.3	5.4	3.8	Falling	May
Canada	6.5	5.1	9.4	6.7	Volatile	Apr.
West Germany	2.9	3.1	2.7	2.8	Steady	May
France	7.3	4.5	3.6	2.8	Falling	Apr.
United Kingdom	7.3	11.1	6.5	5.0	Falling	Apr.
Italy	11.2	6.8	7.1	6.4	Falling	May
Japan	2.5	4.3	5.5	3.2	Falling	Apr.
Korea, R.O.K.	8.1	9.2	10.3	10.2	High and Volatile	Apr.
Australia	8.4	5.1	7.1	3.9	Falling	Feb.
New Zealand	11.8	5.4	4.6	3.3	Falling	Feb.
Taiwan, R.O.C.	4.4	4.5	3.5	2.5	Falling	Apr.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

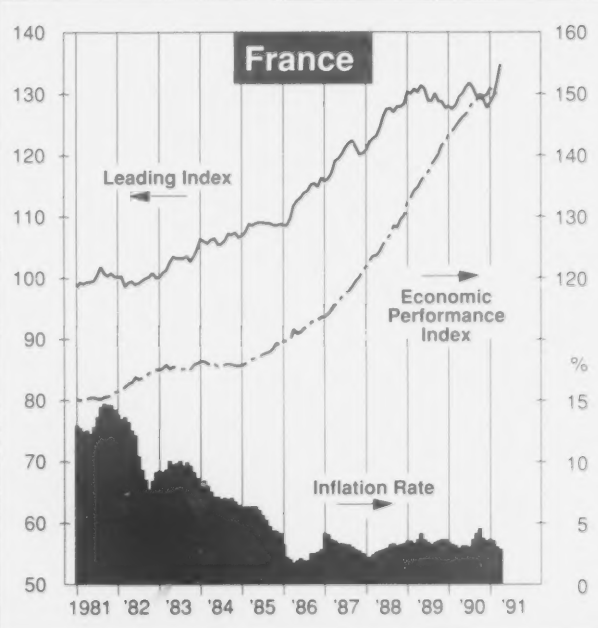
Countries

Persistent Cyclical Expansion

In sharp contrast to the recession or near recession in North America and the Pacific Region, the economic expansion in Germany sails on. (This dichotomy is out of tune with the historical pattern. See page 5.)

The German leading index is growing at a sturdy 4 percent rate, the same speed at which it was climbing three months ago, and six months ago — indeed, the same pace of advance as April 1990. All year, then, the early moving series have been unspectacular but steady in pointing toward further gains for the German economy. Although reunification of the country has both pluses and minuses for the business cycle, it is difficult to believe the net effect hasn't been helpful in keeping the expansionary momentum intact.

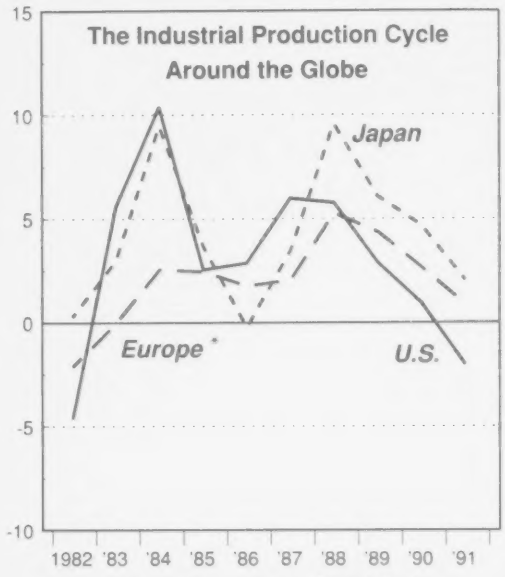
Despite the inflationary pressures exerted by the consistent advance of the business cycle, the German price index remains under good control. At the latest reading, the 2.8-percent inflation rate is (along with the French rate) as low as any of the 11-countries in the report other than Taiwan (which is at 2.5 percent).



Much Improved Indexes

Suddenly French business cycle prospects look a lot stronger. For almost two years, although the performance index continued to climb steadily, the French leading index traced a very erratic but essentially flat pattern, raising persistent doubts that the expansion could continue apace. Since January, however, the index has surged upward and now shows an impressive 7-percent growth rate.

The story on prices is equally encouraging. The inflation rate has fallen from 4.5 percent last October, to 3.6 percent as of January, to a very moderate 2.8 percent as of April.



* West Germany, France, Italy, and United Kingdom.

All Marching to the Same Drummer?

One persistent question about International Economics is the extent to which the major industrial countries trace the same economic cycle. Do their recessions and booms all march to the beat of a single world drummer? Or does each regional economy follow a separate and distinct cyclical pattern of its own?

According to the chart, which depicts year-to-year growth rates in industrial production, the answer for the past ten years is a little bit of both but mostly it's a single global cycle. In particular, the U.S. and Japan have followed a similar pattern. Japanese production experienced a sharper slowdown at mid-decade than did the U.S., and the opposite took place in the most recent three years, but by and large the two growth rates moved in tandem. The European experience differed somewhat, notably because its production growth was much more subdued in the early 1980s, but otherwise its pattern is quite similar to that of the other two regions.

In sum, then, the industrial world does not have just a single business cycle that is followed in lock step by every economy. Nevertheless, production growth in the three major regions has traced a fairly similar pattern of ups and downs over the past decade.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	133	139	137	139	128	139	126	124	155	166
Nov.	89	134	139	138	139	128	138	127	124	156	166
Dec.	89	135	140	139	140	129	138	128	124	157	168
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	136	139	140	140	129	137	130	124	159	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	162	167
May	90	137	140	142	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	131	125	163	168
July	90	138	140	144	141	129	138	132	126	164	168
Aug.	90	138	140	144	140	129	138	132	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	164	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	136	144	137	126	134	133	125	165	161
Dec.	90	137	136	145	137	125	133	133	124	166	160
Jan.	91	137	136	146	137	124	133	134	126	168	159
Feb.	91	137	136	146	137	123	134	134	126	168	159
Mar.	91	136	136	145	138	122	133	134	127	166	158

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	4	2	6	3	1	1	6	0	6	7
	4	2	6	3	1	0	6	0	7	6
	4	2	6	3	1	0	6	0	7	6
	4	1	6	2	0	0	6	1	7	5
	4	1	6	3	1	-2	7	1	7	6
	4	1	6	2	1	-1	6	0	7	4
	4	0	6	2	1	-2	6	1	8	3
	4	1	6	2	1	-1	6	1	7	3
	4	1	6	2	2	0	5	2	7	2
	4	1	6	2	1	0	5	2	7	2
	3	1	5	1	0	0	5	2	6	0
	2	-1	4	-1	-1	-1	5	1	5	-2
	2	-2	4	-2	-2	-3	4	1	4	-5
	1	-4	3	-3	-4	-5	4	0	4	-6
	0	-4	3	-3	-5	-5	3	0	4	-6
	0	-4	4	-3	-6	-5	4	1	6	-7
	0	-3	3	-2	-7	-4	3	1	5	-7
	-2	-2	2	-1	-8	-4	2	3	3	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	128	139	135	122	124	130	143	128	127	118	117	118	156	168	228	221	151	127	111	119	194	236
Feb.	90	128	138	135	122	125	130	144	127	128	118	118	116	156	169	232	231	150	126	111	118	194	246
Mar.	90	129	139	135	122	126	130	144	128	128	118	118	117	158	168	236	228	149	126	112	117	194	241
Apr.	90	128	138	135	120	125	130	145	129	128	118	119	117	159	168	236	225	150	125	112	116	192	239
May	90	129	139	135	120	127	130	146	130	129	117	118	117	160	169	234	227	149	125	113	117	194	238
June	90	129	140	135	121	127	130	146	131	129	117	118	116	161	169	235	225	149	124	111	116	192	235
July	90	129	140	135	121	128	132	148	132	129	117	118	117	162	169	237	226	147	124	111	116	192	234
Aug.	90	128	140	134	121	129	132	148	131	128	116	119	116	163	168	238	226	146	123	111	115	192	232
Sept.	90	128	139	134	120	129	132	149	130	128	117	120	114	162	166	238	234	144	123	110	115	193	230
Oct.	90	127	137	133	120	130	133	150	129	128	116	120	115	163	163	237	223	143	122	112	115	195	229
Nov.	90	126	135	132	118	130	133	149	129	127	116	120	114	164	160	237	233	142	123	112	114	195	236
Dec.	90	125	135	131	117	130	134	150	128	126	115	121	114	165	160	242	232	142	122	110	113	194	235
Jan.	91	124	134	129	117	133	134	151	128	126	115	122	120	167	159	248	234	143	121	110	114	197	239
Feb.	91	123	135	128	118	133	134	150	130	126	115		120	167	158	249	232	141	122	110	112	201	239
Mar.	91	122	134	127	118	133	134	150	132	126	116		121	166	157	248	232	137	121	108	113	199	243
Apr.	91	122	136			131			135		116			168	156	255	234	133	122			199	246
		Growth Rates, Percent																					
Jan.	90	0	0	2	-3	7	5	8	-3	4	0	5	1	7	6	10	1	6	-4	2	2	4	8
Feb.	90	1	-2	2	-3	8	5	8	-3	4	0	5	-1	7	6	11	10	3	-5	2	0	3	14
Mar.	90	1	-1	2	-3	8	4	8	-2	4	-1	5	-1	8	5	13	6	2	-6	3	-1	2	8
Apr.	90	0	-2	2	-5	6	3	8	1	4	0	5	-1	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-5	8	3	7	2	4	-1	4	0	8	4	8	4	0	-5	5	-2	1	3
June	90	2	0	1	-4	6	3	7	3	4	-1	3	-2	8	3	8	2	0	-6	2	-3	0	0
July	90	1	0	1	-4	8	4	7	4	2	-1	1	-1	8	3	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	0	-3	8	4	7	3	1	-2	3	-1	8	1	8	2	-5	-5	0	-4	-1	-3
Sept.	90	-1	-1	-1	-3	6	4	6	0	1	-1	3	-4	6	-2	6	8	-6	-5	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-1	4	-2	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	3	5	0	-2	-3	3	-3	6	-8	3	6	-8	-3	2	-4	1	0
Dec.	90	-5	-5	-4	-6	5	4	4	-2	-3	-3	4	-3	6	-7	6	4	-6	-4	-2	-6	0	0
Jan.	91	-6	-5	-7	-5	8	4	5	-1	-3	-4	5	6	7	-8	10	5	-4	-4	-3	-4	4	2
Feb.	91	-7	-4	-7	-2	7	3	3	0	-3	-3		5	6	-8	9	2	-6	-2	-2	-5	7	2
Mar.	91	-8	-4	-8	-2	6	4	2	3	-2	-1		7	4	-8	7	3	-10	-3	-5	-4	4	6
Apr.	91	-7	-1			2			7		0			6	-9	12	4	-14	0			4	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 13, Number 7 July 1991

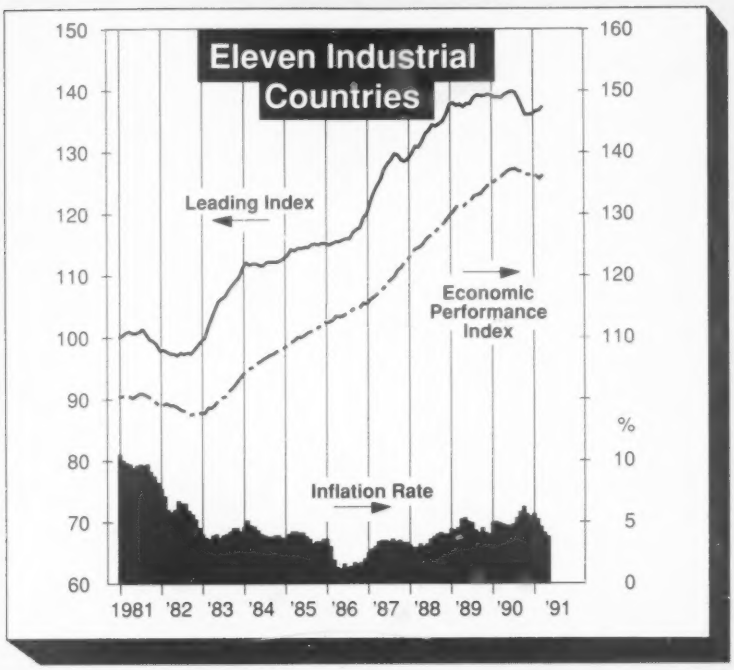
International Economic Scoreboard

INSIDE:

- **Global Recovery Makes its Debut**
- **Inflation Still Subsiding**
- **U.S. Recession — No "Double Dip"**

Serving Business and Society for 75 Years

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	2	0	0	-2	-3	-1	Leaders improving	Apr.
Ten countries (U.S. excl.)	3	4	4	3	-2	-2	0	Expansion continuing	Apr.
North America (2)	3	-2	-6	-6	-3	-6	-2	Leaders improving	Apr.
Europe (4)	2	4	4	2	1	0	4	Expansion continuing	Apr.
Pacific Region (5)	4	5	5	5	-6	-4	-3	Expansion continuing	Apr.
United States	3	-4	-7	-5	-5	-4	1	Recession ending, leaders improving	May
Canada	3	-2	-7	-5	-4	-7	-5	Recession continuing, leaders weak	Apr.
West Germany	2	6	7	4	4	6	4	Expansion continuing	May.
France	2	6	6	4	0	2	6	Expansion continuing	Apr./May
United Kingdom	2	-2	-2	-4	-3	-4	-1	Recession continuing	May
Italy	2	2	4	1	-3	-2	0	Expansion continuing	Apr.
Japan	4	6	6	8	-8	-3	-5	Expansion continuing, leaders weak	May
Korea, R.O.K.	7	3	9	8	6	-1	3	Expansion continuing	May
Australia	3	-9	-8	-11	-4	-2	2	Recession continuing	May
New Zealand	2	1	-2	-1	-4	-4	-2	Recession continuing, leaders weak	Apr.
Taiwan, R.O.C.	8	1	7	6	0	2	10	Expansion resumed	May

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Global Recovery Underway — We Think

The global recession of 1990-91 appears to have ended. Although the statistical evidence is still less than conclusive, the improvement in the 11-country leading index over the first 4 months of this year encourages us to think that cyclical recovery is underway. To this point the gain is a modest one, however, suggesting that the renewed expansion may start off at a leisurely pace.

The most important contributor to this improvement is the rebound in the U.S. leading index — which continued to rise through May, and probably June as well. In addition, the leading indexes for France and Taiwan have been advancing smartly. Much smaller and briefer gains have been recorded for the United Kingdom, Canada, Italy, Australia and New Zealand. These gains more than offset a fairly pronounced drop in the Japanese leading index.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.6	5.2	3.8	Falling	May
Ten countries (U.S. excl.)	5.2	5.2	5.1	4.0	Falling	May
North America (2)	5.6	6.2	5.6	3.9	Falling	May
Europe (4)	6.6	5.4	4.9	4.1	Falling	May
Pacific Region (5)	3.4	4.9	4.8	3.3	Falling	May
United States	5.5	5.9	4.4	3.5	Falling	June
Canada	6.5	5.5	8.0	5.8	Volatile	May
West Germany	2.9	2.9	2.2	3.4	Rising	June
France	7.3	3.7	3.5	2.7	Falling	May
United Kingdom	7.3	8.3	6.4	4.7	Falling	May
Italy	11.2	6.6	6.7	6.8	Steady	June
Japan	2.5	4.3	4.6	3.0	Falling	May
Korea, R.O.K.	8.1	8.6	11.1	8.0	High but falling	May
Australia	8.4	5.1	7.1	3.9	Falling	Feb.
New Zealand	11.8	5.4	4.6	3.3	Falling	Feb.
Taiwan, R.O.C.	4.4	2.5	4.8	1.4	Low and falling	May

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Falling Inflation

The news about inflation continues to be favorable. Both subsiding oil prices and recession are helping to bring inflation down. The 11-country rate (chart, page 2) has fallen from 6.2 percent last October to 3.8 percent in May, the slowest rate in about 3 years.

Over the October-to-date period, as the accompanying table shows, the inflation rate fell in every country except Italy, which showed a minimal increase. The most dramatic improvement was recorded in the United Kingdom, where the rate was cut by more than half. In the United States, the decline was close to half. The biggest reductions, we suspect, were mostly traceable to the decline in petroleum prices.

These reductions in the pace of inflation are welcome not only for their own sake but also because they contribute importantly to the cyclical outlook. They do so in two ways: First, a lower inflation rate helps raise the confidence of both consumers and investors. Second, lower inflation brings down interest rates both directly and by easing pressures on the monetary authorities. Consequently, although the recent subsidence of inflation has been modest, it is nevertheless doubly welcome.

Finally, because the slowdown in inflation that normally accompanies a recession often continues into the early months of recovery, there's hope for some additional improvement in the months immediately ahead. But if, as we believe, the global business cycle is once again headed for higher ground, the further progress against inflation will be limited.

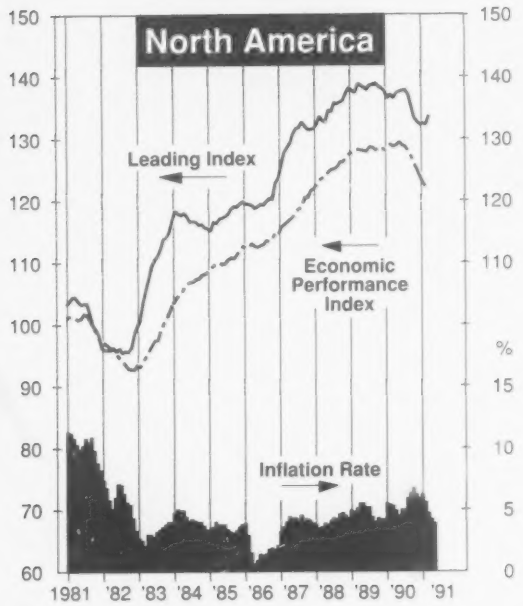
Inflation Around the Industrial World

	Latest Rate (percent)		Change from October 1990 (percentage points)
Taiwan, R.O.C.	May	1.4	-3.1
France	May	2.7	-1.8
Japan	May	3.0	-1.3
New Zealand	Feb	3.3	-1.6
West Germany	Jun	3.4	-0.6
United States	Jun	3.5	-3.3
Australia	Feb	3.9	-2.6
United Kingdom	May	4.7	-6.4
Canada	*		*
Italy	Jun	6.8	0.3
Korea, R.O.K.	May	8.0	-1.2

** Inflation data misleading due to introduction of sales taxes in early 1991*

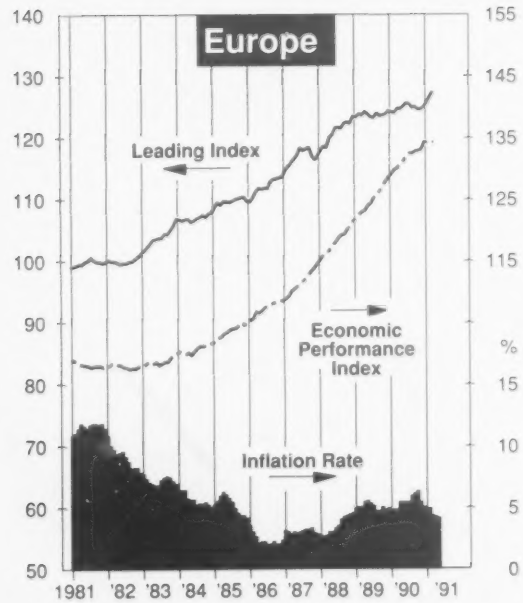
Regions

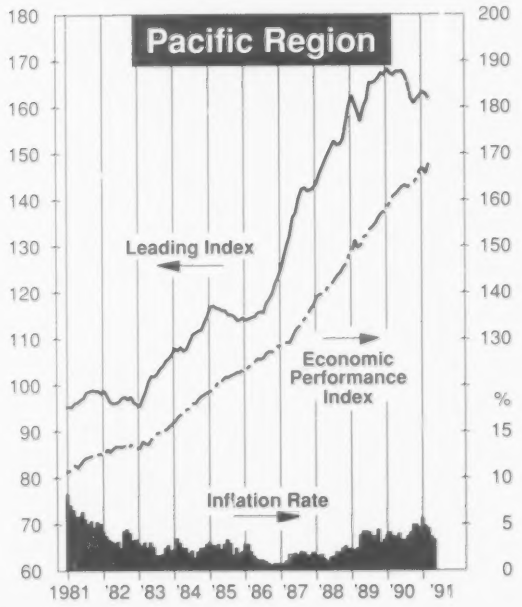
Varied Gains



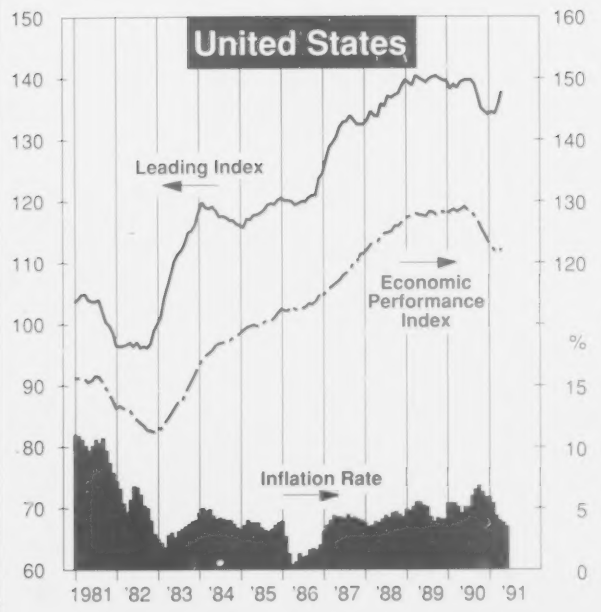
The regional indexes generally confirm the global pattern of a cyclical recovery beginning to develop. In Europe, which never really felt much of the recession, the leading index has continued to climb, sharply since the turn of the year. In North America, which experienced the most pronounced cyclical downturn, the leading index has advanced modestly since January. In the Pacific Region, the leaders have been essentially unchanged for more than half a year. This pattern reflects the weakness among the leaders in Japan, the dominant country in the region; each of the other four Pacific countries has recorded at least modest improvement in its leading index.

Inflation looks better in all three regions. The best record is in the Pacific Region, where the rate has come down to 3.3 percent. The biggest improvement is in North America, where the inflation rate has slowed almost 3 percentage points from its recent (October 1990) peak of 6.7 percent to 3.9 percent.





Countries



No "Double Dip"

Sparked by a broad reversal in consumer and investor sentiment, the U.S. business cycle began to change direction in the early spring. The leading index hit bottom in January and the performance index followed in March. Since then, the upturn has been modest, although generally not disappointing.

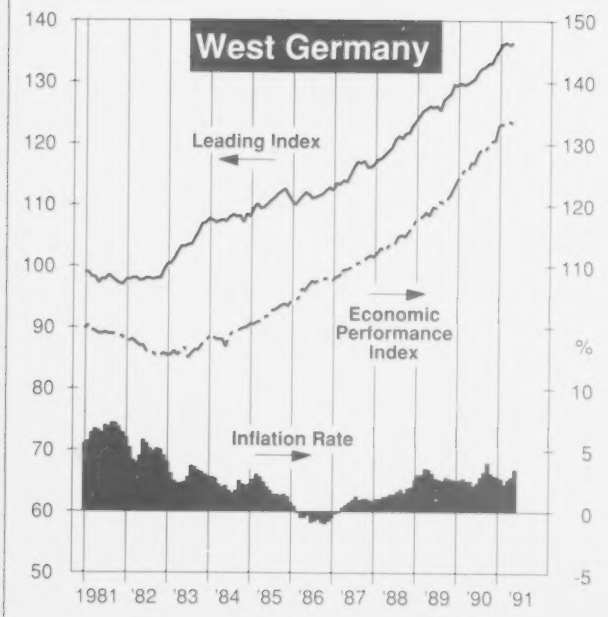
Students of the business cycle are divided in their expectations about the pace of the recovery, but very few accept the idea — one that has been widely discussed in the financial markets of late — of a "double-dip" recession. Whether they look for a sturdy recovery or only a modest recovery, almost all analysts think the cyclical upturn is here to stay and reject the notion that the economy will relapse back into recession.

The U.S. inflation statistics, with the rate down from 6.8 percent last October to 3.5 percent in June, are also encouraging. Most of that deceleration stems from the drop in oil prices, but the recession has also helped curb the advance in consumer prices.

Optimism Easy Only For Inflation

In Canada most forecasters think the economic stage is being set for a cyclical rebound. The Canadian indexes, however, show very limited signs of a turn for the better. At last report, both the leaders and the performance index have stopped falling, but each has improved only for a single month. It is difficult, therefore, to feel much optimism about prospects for a developing upturn.

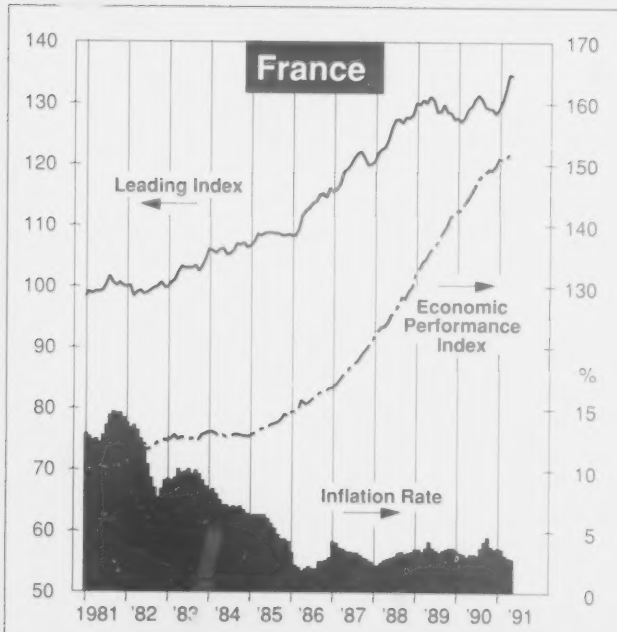
The recent inflation data are misleading, reflecting as they do the introduction of the 7 percent "Goods and Services Tax" in January and higher tobacco taxes in March. Excluding these taxes, Morgan Stanley economists conclude that inflation will slow to around 3 1/2 percent by the end of 1991.



Momentum Slowing

The West German economy, which had advanced briskly last winter when most other industrial economies were faltering, and which still shows a stronger cyclical pattern than most, appears to have lost a bit of its momentum this spring. Both the performance and leading indexes remained flat in March, April and May. We suspect that both the surge last winter and the slowdown this spring are directly related to the economic integration of the two parts of the nation.

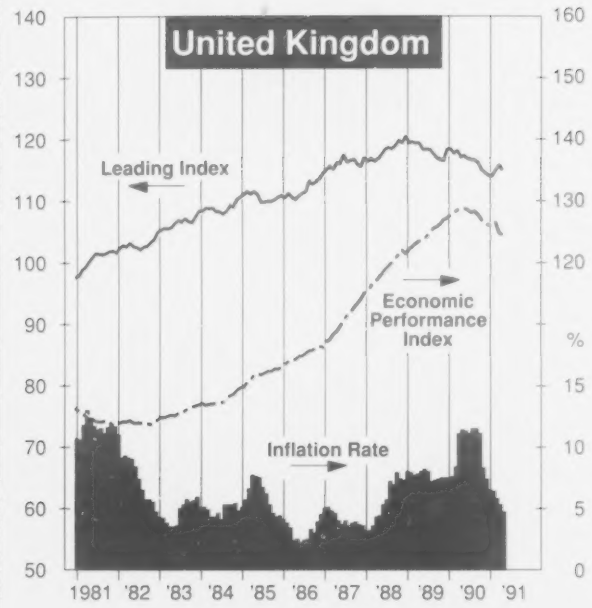
The West German inflation picture has been worsening somewhat of late, with the rate accelerating from 2.2 percent in March to 3.4 percent in June. Wage inflation is accelerating, too. Among the eleven countries, Germany is — most uncharacteristically — the only one with a rising inflation rate here in 1991.



Slower Inflation Than Germany

Although sentiment in the Paris financial markets does not generally share this view, the business cycle data for the country look quite positive again this month. The French leading index, in fact, has traced almost the reverse pattern from the German series: The French index was weak in late 1990, but then rebounded smartly in 1991.

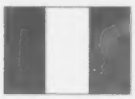
The French inflation data also are moving favorably. The rate has slowed from 4.5 percent last October to 2.7 percent in May. The May inflation number represents a rare occasion for France: a rate slower than Germany's!



No Recovery Yet

Latest data for the United Kingdom show that the leading indicators turned upward in March and April but then faltered again in May. Accordingly, a business cycle reversal may be forming but has not appeared thus far. To this point, the downturn in interest rates has not stimulated an upturn in housing or other new capital investment projects.

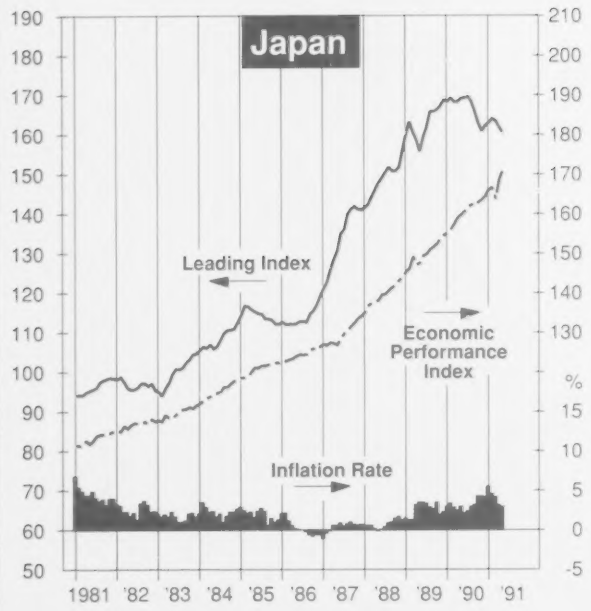
As in most other industrial countries, the British inflation rate has been coming down. The British rate has, in fact, been subsiding more dramatically than elsewhere — down from 11.5 percent last summer to 4.7 percent in May.



On a Treadmill

The Italian data are indecisive, as usual. Both indexes have been on a treadmill for some time now, with a slight expansionary trend noticeable in the performance index, and only a faint echo of the 1990-91 business cycle to be found in the leading index.

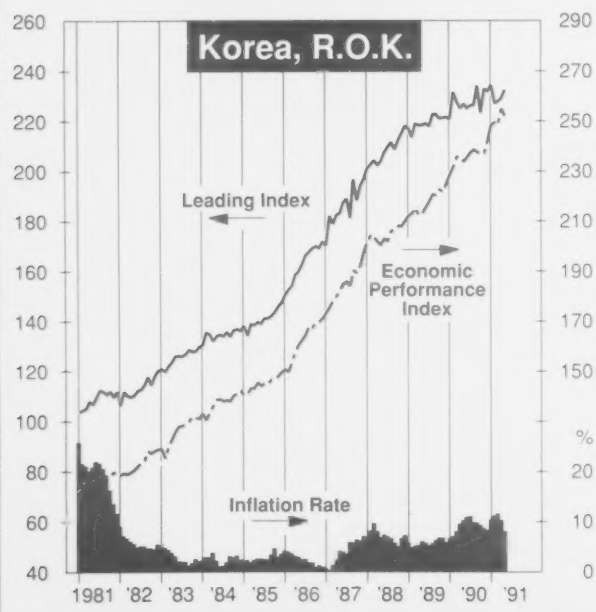
Similarly, the inflation data have been stable, at a fairly high 6 to 7 percent rate, for the past year. Italy is the only country in the Scoreboard not showing some subsidence of inflation in recent months.



Conundrum

The Japanese business-cycle indexes present a discordant picture. Over the past year the leading index has declined sharply, while the performance index has continued to climb briskly. This is an unusually long period for such a divergence; ordinarily by now the performance index would at least show signs of slowing down. Furthermore, the divergence between the two series cannot be explained away on grounds that the drop in the leaders is limited to a few component series, since virtually all of the indicators that make up the leading index have fallen. Accordingly, the contrast between the trends of the two cyclical indexes is difficult to understand. Until a better way of looking at these data can be found, however, we hold to our earlier conclusion that the Japanese economy is headed for a slowdown or recession.

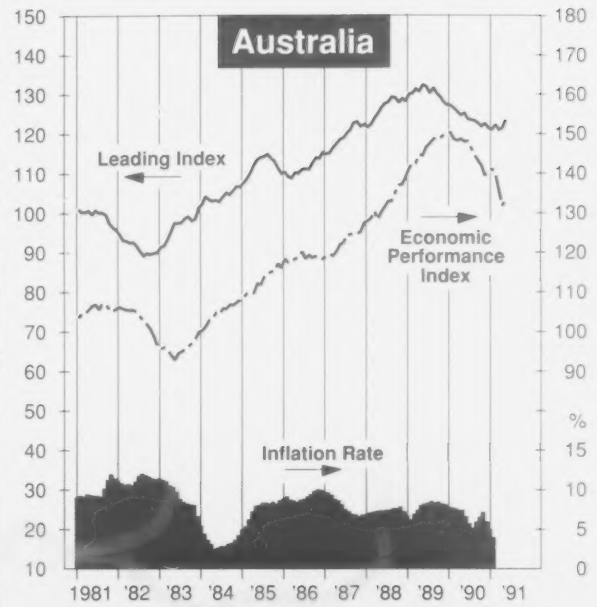
The Japanese price statistics are very favorable, with the inflation rate down steadily from 5.5 percent at the beginning of the year to 3.0 percent as of May.



Inflation High But Slowing

The Korean business cycle data provide a moderate version of the Japanese conundrum. The leading index has leveled off for more than a year, but the economic performance index continues to climb vigorously. In the case of Korea, however, a divergence of this moderate magnitude has been seen before, so there is no strong basis on which to project a slowdown or recession.

The Korean inflation rate, at 8.0 percent in May, is the highest of the 11-countries included in the Scoreboard, but it has slowed sharply from 11.5 percent as recently as March.

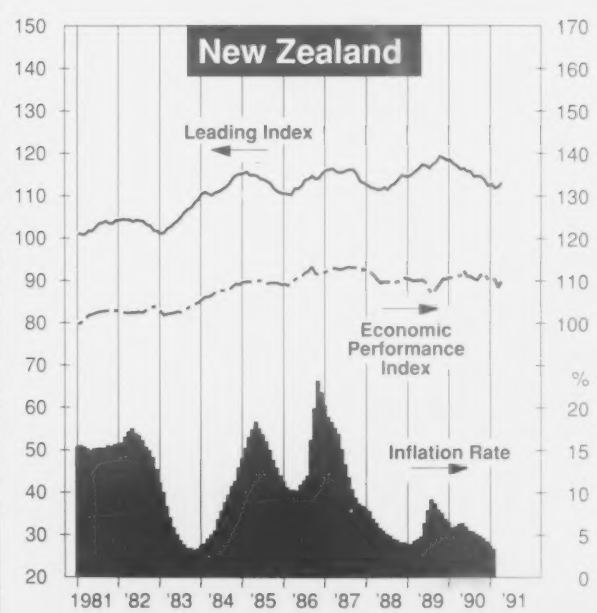


Signs of Recovery Hard to Find

If any country can be said to have led the industrial world into the 1990-91 recession, it is Australia. The same is not true on the upside, however, as the country still appears to be mired in recession.

Faint signs of recovery can be found in the April and May data, especially in the construction industry. Overall, however, the evidence is much too limited to offer strong hope. Improvement in the leading index may be on the way, since the long-leading index compiled for Australia by the Columbia Center shows a vigorous upswing.

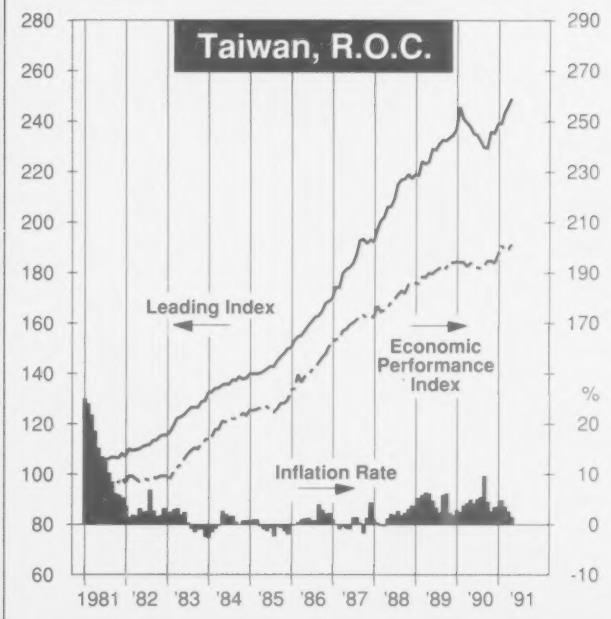
One source of encouraging economic news is in the inflation data. The inflation rate dropped from 7.1 percent last November to 3.9 percent in February.



Recovery Chances Not Yet Propitious

The cyclical outlook for New Zealand is comparably discouraging as in Australia. The Kiwi economy did not go through as steep a recession as the Aussies did, but since they didn't previously have as strong an expansion the net impact is about the same. In any event, chances for an early recovery do not appear to be propitious.

Like the rest of the industrial world, New Zealand's price picture has improved nicely. The inflation rate dropped from over six percent in late spring 1990 to 3.3 percent in February.



Brisk Upswing, Slowest Inflation

The economy of Taiwan experienced a mild recession in 1990, but returned to a brisk upswing late in the year. Recent data for the leading index suggest this expansion will continue and perhaps accelerate further in the months immediately ahead.

The Taiwanese inflation rate has declined smartly from 9.6 percent last September. At 1.4 percent in May, Taiwan has the lowest inflation rate of the eleven industrial countries covered in this publication.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Philip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	135	139	140	140	129	137	129	124	158	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	131	125	162	168
July	90	137	140	143	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	163	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	133	133	125	164	161
Dec.	90	136	136	144	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	166	163
Feb.	91	136	137	146	139	123	132	134	126	167	163
Mar.	91	136	137	145	139	122	132	135	127	166	163
Apr.	91	136	138	146	139	123	134	134	128	168	162
		Growth Rates, Percent									
Jan.	90	4	1	6	2	0	-1	6	1	7	5
Feb.	90	4	1	6	2	1	-2	6	0	7	6
Mar.	90	4	1	6	2	1	-1	6	0	7	4
Apr.	90	4	0	6	2	0	-2	6	1	8	3
May	90	4	1	6	2	1	-1	6	1	7	3
June	90	4	1	6	1	1	0	6	2	7	2
July	90	4	1	6	2	1	0	6	2	7	2
Aug.	90	3	0	5	1	0	0	5	2	6	0
Sept.	90	2	-1	4	-1	-1	-1	5	1	5	-2
Oct.	90	2	-2	4	-2	-2	-3	4	1	5	-6
Nov.	90	1	-4	3	-3	-4	-5	4	0	4	-6
Dec.	90	0	-4	3	-2	-5	-6	3	0	4	-5
Jan.	91	0	-3	4	-2	-6	-6	4	0	5	-4
Feb.	91	0	-2	4	-1	-7	-5	4	2	5	-2
Mar.	91	-1	-2	2	0	-7	-5	3	2	3	-2
Apr.	91	0	-1	3	0	-6	-2	2	4	5	-3
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	128	139	134	121	124	129	142	128	127	118	118	118	155	168	228	221	150	127	111	119	194	236
Feb.	90	128	138	134	121	125	130	143	127	128	118	118	117	156	169	232	231	149	126	111	118	194	246
Mar.	90	129	139	135	120	126	130	144	128	128	118	118	117	157	168	236	228	148	126	112	117	194	241
Apr.	90	128	138	135	119	125	130	144	129	129	118	118	117	159	168	236	225	149	125	112	116	192	239
May	90	128	139	134	118	127	130	145	130	129	117	119	117	160	169	234	227	148	125	113	117	194	238
June	90	129	140	134	119	127	130	146	131	129	117	119	116	160	169	235	225	148	124	111	116	192	235
July	90	128	140	134	119	128	132	148	131	129	117	119	117	162	169	237	226	146	124	111	116	192	234
Aug.	90	128	140	134	119	129	132	148	131	128	117	120	116	162	168	238	226	145	123	111	115	192	232
Sept.	90	128	139	133	119	129	132	148	130	128	117	120	114	162	166	238	234	143	123	110	115	193	230
Oct.	90	127	137	132	118	130	133	149	129	128	116	120	115	163	163	237	223	142	122	112	115	195	229
Nov.	90	126	135	131	116	130	133	149	129	127	115	120	114	163	161	237	233	140	123	112	114	195	236
Dec.	90	124	134	130	115	130	134	150	128	126	115	121	114	164	162	242	232	140	121	111	113	194	235
Jan.	91	123	134	128	114	133	135	151	129	126	114	122	114	166	163	248	234	141	121	110	113	197	239
Feb.	91	122	134	128	113	133	136	151	130	126	114	122	115	166	164	249	227	139	122	111	112	201	239
Mar.	91	122	134	127	113	133	136	151	132	127	115	122	115	166	163	248	228	136	121	109	112	199	243
Apr.	91	122	136	128	113	134	136	152	135	125	116	121	116	168	162	255	229	132	121	110	113	199	246
May	91	122	138			133	136		134	124	115			171	160	252	232	133	124			201	249
		Growth Rates, Percent																					
Jan.	90	0	0	2	-5	7	5	8	-3	4	0	5	1	7	6	10	1	6	-4	2	2	4	8
Feb.	90	1	-2	2	-5	7	4	7	-3	4	0	5	-1	7	7	11	10	3	-5	2	0	3	14
Mar.	90	1	-1	2	-5	8	3	7	-2	4	-1	5	-1	8	5	13	6	2	-6	3	-1	2	8
Apr.	90	0	-2	2	-7	6	3	7	0	4	0	4	-1	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-7	8	3	7	1	4	-1	4	0	8	4	8	4	0	-5	5	-2	1	3
June	90	1	0	1	-6	6	3	7	3	3	-1	4	-2	8	3	8	2	0	-6	2	-3	0	0
July	90	1	0	0	-5	8	4	8	4	2	-1	3	-1	8	2	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	0	-3	8	5	7	2	1	-2	3	-1	8	0	8	2	-4	-5	0	-4	-1	-3
Sept.	90	-1	-1	-1	-4	6	4	6	1	1	-1	3	-5	6	-3	6	8	-6	-5	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	2	-3	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-2	-3	2	-4	6	-8	3	6	-9	-4	2	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	-2	-4	3	-3	6	-6	6	4	-8	-4	-1	-6	0	0
Jan.	91	-6	-6	-7	-7	8	6	6	0	-3	-4	4	-2	6	-4	10	5	-6	-4	-2	-4	4	2
Feb.	91	-7	-4	-7	-8	7	6	5	2	-2	-4	3	-2	6	-3	9	-1	-8	-2	-1	-5	7	2
Mar.	91	-7	-4	-7	-7	6	6	4	4	-2	-2	3	-1	4	-3	7	0	-10	-3	-4	-4	5	6
Apr.	91	-6	-2	-5	-5	6	4	4	7	-4	0	1	0	6	-4	12	1	-14	-2	-1	-2	4	8
May	91	-5	1			4	4		6	-4	-1			8	-5	8	3	-11	2			6	10
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

R4105-6A

The Conference Board

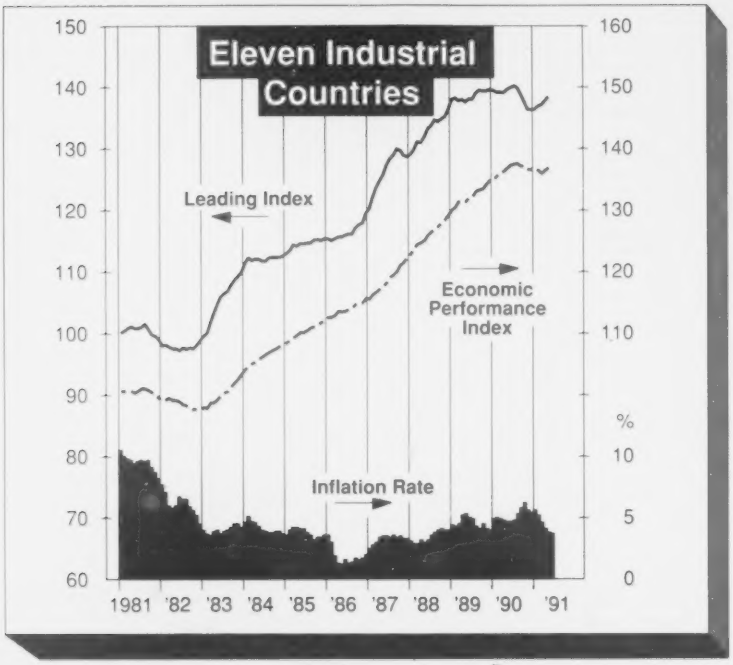
Volume 13, Number 8 August 1991

International Economic Scoreboard

INSIDE:

- **Global Recovery Confirmed**
- **Moderate Upswing in the U.S.**
- **Possible Solution for Japan Puzzle**
- **Taiwan — Solid and Steady Recovery**
- **Inflation Continues to Look Encouraging**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	1	0	0	-4	-2	0	Expansion stopped, leaders improving	May
Ten countries (U.S. excl.)	3	3	3	3	-3	-1	0	Expansion continuing, leaders improving	May
North America (2)	3	-4	-7	-5	-5	-5	1	Recession ending, leaders improving	May
Europe (4)	2	4	3	1	0	2	3	Expansion continuing	May
Pacific Region (5)	4	4	5	6	-6	-2	-3	Expansion continuing, leaders weak	May
United States	3	-5	-7	-4	-5	-4	3	Recession ending, leaders improving	June
Canada	3	-4	-7	-4	-5	-8	-3	Recession ending, leaders weak	May
West Germany	2	5	6	5	4	6	4	Expansion continuing	June/May
France	2	5	5	3	-1	4	8	Expansion continuing	May/June
United Kingdom	2	-2	-3	-3	-4	-2	0	Recession ending, leaders improving	June
Italy	2	3	4	0	-4	-2	1	Expansion continuing, leaders improving	Apr./May
Japan	4	6	4	5	-6	-3	-4	Expansion continuing, leaders weak	June
Korea, R.O.K.	7	6	7	5	4	1	0	Expansion continuing, leaders weak	June
Australia	3	-8	-10	-5	-4	-3	0	Recession ending, leaders improving	June
New Zealand	2	2	-1	-1	-4	-5	-2	Recession ending, leaders weak	May
Taiwan, R.O.C.	8	0	5	6	0	6	13	Expansion continuing	June

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Better News!

The latest data for the cyclical indexes confirm last month's tentative conclusion that global recovery is underway. The 11-nation leading index has been climbing steadily, if gradually, for five months, and the performance index shows a two-month recovery.

The upturn is clearly seen in the indexes for North America and Europe, but looks much more limited in the Pacific Region. The five countries in the Pacific area show great diversity. The leading indexes for Japan, Australia and New Zealand are weak. Korea's leaders are erratic. But Taiwan's indexes are climbing vigorously.

The inflation data continue to look encouraging. The 11-country rate, at 3.7 percent in June, has fallen 1.7 percentage points since the end of last year. Eight of the 11 countries in the Scoreboard are sharing in this improvement. The exceptions are Canada (only because of the introduction of a new sales tax), Korea (which at 8.4 percent has the highest inflation rate of all) and West Germany.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.4	4.6	3.7	Falling	June
Ten countries (U.S. excl.)	5.2	4.9	4.7	3.9	Falling	June
North America (2)	5.6	5.9	4.7	3.7	Falling	June
Europe (4)	6.6	5.1	4.3	4.4	Volatile	June
Pacific Region (5)	3.4	4.6	4.5	2.7	Falling	June
United States	5.5	5.9	4.0	3.2	Falling	July
Canada	6.5	4.8	7.6	5.9	Volatile	June
West Germany	2.9	2.8	2.6	5.1	Rising	July
France	7.3	3.5	3.0	2.9	Falling	June
United Kingdom	7.3	7.9	6.0	4.9	Falling	June
Italy	11.2	6.7	6.5	6.2	Falling	July
Japan	2.5	4.2	4.2	2.5	Falling	June
Korea, R.O.K.	8.1	8.2	11.5	8.4	High and volatile	June
Australia	8.4	7.1	4.4	2.4	Falling	May
New Zealand	11.8	4.5	3.9	2.1	Falling	May
Taiwan, R.O.C.	4.4	3.4	3.5	2.7	Falling	June

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

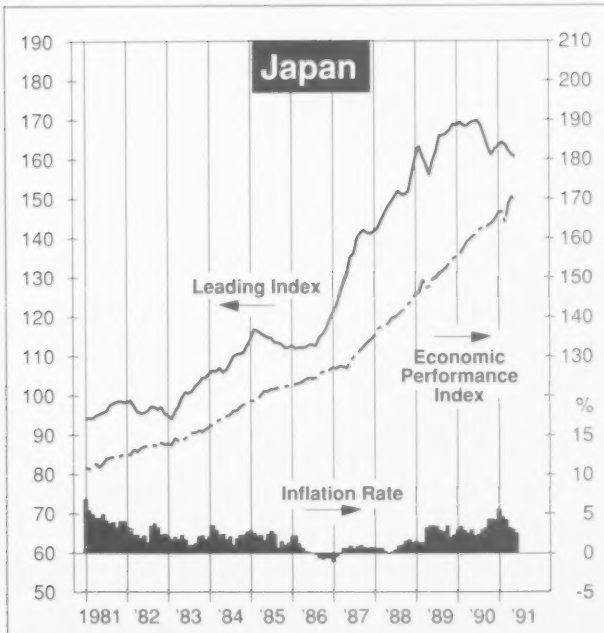
Countries

Moderate Upswing

The business cycle recovery in the United States is now well established. The U.S. leading index hit bottom in January and the turnaround in the economic performance index followed in March. Over the latest 3 months, the leading index has climbed sharply, while the performance index has improved slowly. Weakness in the employment and unemployment series has acted as a drag on the performance index, while production and sales have rebounded briskly.

Most analysts anticipate a moderate pace of advance during this economic recovery. The guess here is that over the next year or two the U.S. recovery will prove to be slower than the historical average but faster than the 2½ - 3 percent that is the current consensus forecast.

Another source of optimism is the continued favorable reports on inflation. The rate in the United States is now down to 3.2 percent, a sharp improvement over the recent peak of 6.8 percent last October.

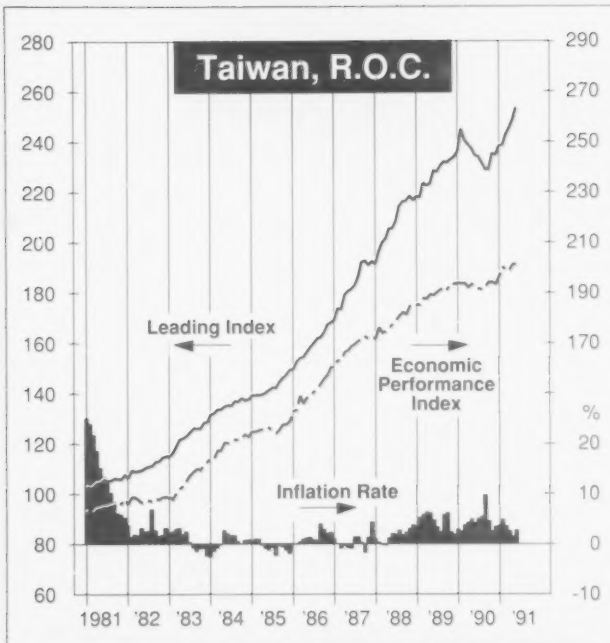


Slowdown Beginning?

The answer to what has been a Japanese economic enigma may now be starting to appear. The puzzle was the persistent climb of the performance index despite a pronounced and prolonged sag in the leaders. In June, however, industrial production declined and unemployment increased, bringing the Japanese performance index down a notch—*perhaps* the beginning of a cyclical slowdown.

Meanwhile, the leaders continue downward, in particular machinery and construction orders, dwelling units started, common stock prices, and the ratio of prices to unit labor costs (a measure of profit margins). The leading index has been mostly on the decline for a full year now.

The Japanese inflation picture continues to improve. In June the inflation rate is down to 2.5 percent, better than all other countries except Australia and New Zealand.



Solid and Steady Recovery

Although the 1990 recession in Taiwan was not the earliest to get underway among the industrialized countries, it is the most complete to date. The end of recession and the beginning of economic revival were first signaled by the leading index data for November, and the economy itself began to move significantly higher at about the turn of the year.

Since then, the progress of the recovery has been solid and steady. The leading index has climbed vigorously month after month, almost without interruption. Over the latest 3 months, each of the six leading indicators that comprise the index advanced smartly. The economic performance index also rose, but at a more moderate pace.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co, 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	135	139	140	140	129	137	129	124	158	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	131	125	162	168
July	90	137	140	143	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	163	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	134	133	125	164	161
Dec.	90	136	136	144	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	166	163
Feb.	91	136	137	146	139	123	132	134	126	167	163
Mar.	91	136	137	145	139	122	132	134	127	166	163
Apr.	91	136	138	146	139	123	134	134	128	168	162
May	91	137	138	146	139	123	136	134	128	170	162

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan. 90	4	1	6	2	0	-1	6	1	7	5
Feb. 90	4	1	6	2	1	-2	6	0	7	6
Mar. 90	4	1	6	2	1	-1	6	0	7	4
Apr. 90	4	0	6	2	0	-2	6	1	8	3
May 90	4	1	6	2	1	-1	6	1	7	3
June 90	4	1	6	1	1	0	6	2	7	2
July 90	4	1	6	2	1	0	6	2	7	2
Aug. 90	3	0	5	1	0	0	5	2	6	0
Sept. 90	2	-1	4	-1	-1	-1	5	1	5	-2
Oct. 90	2	-2	4	-2	-2	-3	4	1	5	-6
Nov. 90	1	-4	3	-3	-4	-5	4	0	4	-6
Dec. 90	0	-4	3	-2	-5	-6	3	0	4	-5
Jan. 91	0	-3	4	-2	-6	-6	4	0	5	-4
Feb. 91	0	-2	3	-1	-7	-5	3	2	5	-2
Mar. 91	-1	-2	2	0	-7	-4	3	2	3	-2
Apr. 91	0	0	3	0	-6	-2	2	4	5	-3
May 91	0	0	3	0	-5	1	1	3	6	-3
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	128	139	134	121	124	129	142	128	127	118	118	118	155	168	228	221	150	127	111	119	194	236
Feb.	90	128	138	134	121	125	130	143	127	128	118	118	117	156	169	232	231	149	126	111	118	194	246
Mar.	90	129	139	135	120	126	130	144	128	128	118	118	117	157	168	236	228	148	126	112	117	194	241
Apr.	90	128	138	135	119	125	130	144	129	129	118	118	117	159	168	236	225	149	125	112	116	192	239
May	90	128	139	134	118	127	130	145	130	129	117	119	117	160	169	234	227	148	125	113	117	194	238
June	90	129	140	134	119	127	130	146	131	129	118	119	116	160	169	235	225	148	124	111	116	192	235
July	90	128	140	134	119	128	132	148	131	129	117	119	117	162	169	237	226	146	124	111	116	192	234
Aug.	90	128	140	134	119	129	132	148	131	128	117	120	116	162	168	238	226	145	123	111	115	192	232
Sept.	90	128	139	133	119	129	132	148	130	128	117	120	114	162	166	238	234	143	123	110	115	193	230
Oct.	90	127	137	132	118	130	133	149	129	128	116	120	115	163	163	237	223	142	122	112	115	195	229
Nov.	90	126	135	131	117	130	133	149	129	127	115	120	114	163	161	237	233	140	123	112	114	195	236
Dec.	90	124	134	130	115	130	134	150	128	127	115	121	114	164	162	242	232	140	121	111	113	194	235
Jan.	91	123	134	128	114	133	135	151	129	126	114	122	114	166	163	248	234	141	121	110	113	197	239
Feb.	91	122	134	128	113	133	136	151	130	126	114	122	115	166	164	249	227	139	122	111	112	201	239
Mar.	91	122	134	127	113	133	136	151	132	126	115	122	115	166	163	248	230	136	121	109	112	199	243
Apr.	91	122	136	128	113	134	136	152	135	124	116	120	116	168	162	255	231	132	121	110	114	199	246
May	91	122	138	129	114	133	136	152	135	123	115		116	170	161	252	234	135	123	110	113	202	249
June	91	122	139			134			137	124	115			168	160	249	230	137	122			202	254
		Growth Rates, Percent																					
Jan.	90	0	0	2	-5	7	5	8	-3	4	0	5	1	7	6	10	1	6	-4	2	2	4	8
Feb.	90	1	-2	2	-5	7	4	7	-3	4	0	5	-1	7	7	11	10	3	-5	2	0	3	14
Mar.	90	1	-1	2	-5	8	3	7	-2	4	-1	5	-1	8	5	13	6	2	-6	3	-1	2	8
Apr.	90	0	-2	2	-7	6	3	7	0	4	0	4	0	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-7	8	3	7	1	4	-1	4	0	8	4	8	4	0	-5	5	-2	1	3
June	90	1	0	1	-6	6	3	7	3	3	-1	4	-2	8	3	8	2	0	-6	2	-3	0	0
July	90	1	0	0	-5	8	4	8	4	2	-1	3	-1	8	2	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	0	-3	8	5	7	2	1	-1	3	-2	8	0	8	2	-4	-5	0	-4	-1	-3
Sept.	90	-1	-1	-1	-4	6	4	6	1	1	-1	3	-5	6	-3	6	8	-6	-5	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-4	2	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	-2	-4	3	-3	6	-6	6	4	-8	-4	-1	-5	0	0
Jan.	91	-6	-6	-7	-8	8	6	6	0	-3	-4	4	-3	6	-4	10	5	-6	-4	-2	-4	4	2
Feb.	91	-7	-4	-7	-8	7	6	5	2	-3	-4	3	-2	6	-3	9	-1	-8	-2	-1	-5	7	2
Mar.	91	-7	-4	-7	-7	6	6	4	4	-3	-2	3	-1	4	-3	7	1	-10	-3	-4	-4	5	6
Apr.	91	-6	-2	-5	-5	6	4	4	7	-6	0	0	1	6	-4	12	2	-14	-2	-1	-2	5	8
May	91	-5	1	-4	-3	4	4	3	7	-5	-1		1	8	-4	8	4	-9	1	-1	-2	6	10
June	91	-4	3			5			8	-3	0			5	-4	5	0	-5	0			6	13
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 13, Number 9 September 1991

International Economic Scoreboard

INSIDE:

- **Global Leading Index Continues to Improve — Slowly**
- **Tale of Three Recessions and Recoveries**
  - **United Kingdom: Tentative Signs of a Turnaround**
  - **Canada: Mirroring the U.S. Recovery**
  - **Australia: Most Pronounced Decline, Worst is Over**

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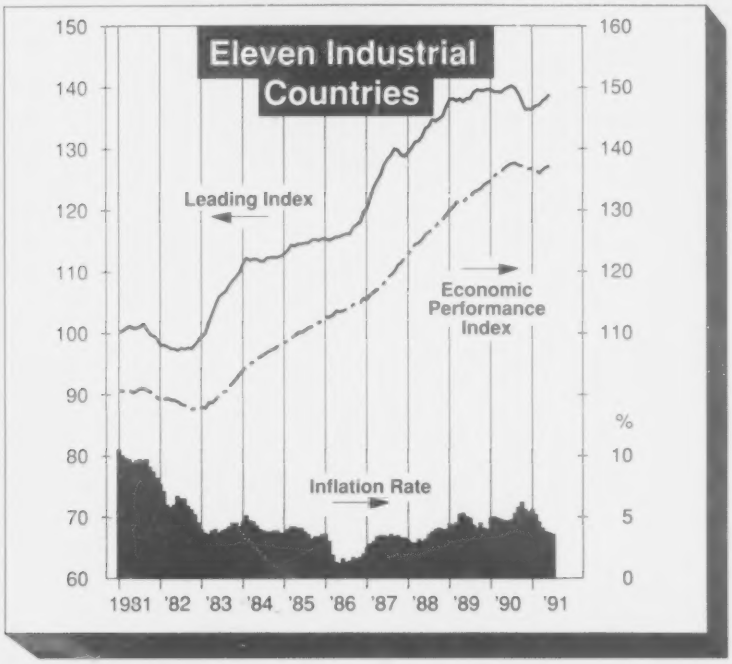
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	-1	0	-4	-2	1	Expansion stopped, leaders improving	June
Ten countries (U.S. excl.)	3	3	2	3	-2	0	1	Expansion continuing, leaders improving	June
North America (2)	3	-5	-7	-4	-6	-4	2	Recession ending, leaders improving	June
Europe (4)	2	3	3	3	0	2	4	Expansion continuing	June
Pacific Region (5)	4	4	3	4	-5	-2	-3	Expansion continuing, leaders weak	June
United States	3	-6	-6	-3	-6	-2	4	Recession ending, leaders improving	July
Canada	3	-5	-6	-3	-7	-7	-1	Recession ending, leaders weak	June
West Germany	2	5	6	5	4	6	4	Expansion continuing	June/May
France	2	5	5	3	-1	4	8	Expansion continuing	May/June
United Kingdom	2	-2	-3	-3	-4	-2	0	Recession ending, leaders improving	June
Italy	2	3	4	0	-3	-1	2	Expansion continuing, leaders improving	Apr./June
Japan	4	6	4	5	-6	-3	-4	Expansion continuing, leaders weak	June
Korea, R.O.K.	7	10	12	8	5	5	7	Expansion continuing	July
Australia	3	-6	-12	-13	-5	-2	6	Recession ending, leaders improving	July
New Zealand	2	-2	-6	-5	-5	-4	-2	Recession ending, leaders weak	June
Taiwan, R.O.C.	8	4	5	6	2	8	8	Expansion continuing	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Tempered Optimism

The global business cycle continues its gradual recovery. The 11-country leading index has increased each month for the past 5 months, and its smoothed growth rate, which recorded a 4 percent rate of decline as recently as last December, has now edged into positive territory. Also, inflation continues to slow, with the 11-nation rate down to 3.6 percent at latest report.

Eight of the eleven countries show at least a moderately rising pattern in their leading indexes in recent months. The most pronounced strength in the forward-looking indexes is seen in Taiwan, Korea and France. The one country still showing weakness is Japan, where the leading index has fallen more than 5 percent since its peak in July 1990. This signal of a slowdown was recently confirmed by Japan's second quarter GNP, which showed a 2 percent growth rate, down sharply from a 11 percent rate in the first quarter. In West Germany and New Zealand, the leading indexes have been flat in recent months, suggesting the business cycle is "on hold" in those countries, at least for the present.

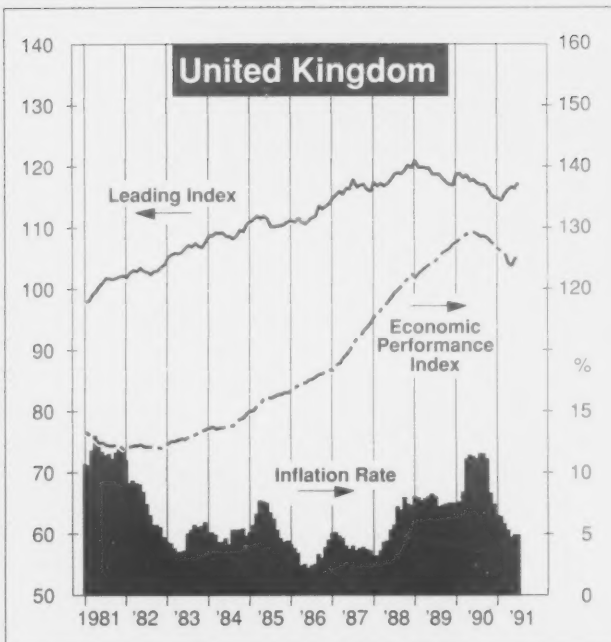
In summary, inflation is subsiding and the global business cycle outlook has improved steadily since the beginning of the year. Nevertheless, with the leading indexes for the three largest countries sending out mixed signals—the United States' index pointing toward a moderate recovery, West Germany's index flat and Japan's declining—it seems sensible to temper our optimism about the global economy.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.6	4.1	3.6	Falling	July
Ten countries (U.S. excl.)	5.2	5.5	4.2	4.0	Falling	July
North America (2)	5.6	6.2	4.2	3.3	Falling	July
Europe (4)	6.6	4.9	4.2	4.7	Volatile	July
Pacific Region (5)	3.4	5.6	3.6	2.8	Falling	July
United States	5.5	5.4	3.8	3.0	Falling	Aug.
Canada	6.5	9.1	6.7	4.8	Falling	July
West Germany	2.9	2.8	2.6	5.1	Rising	July
France	7.3	3.5	3.0	2.9	Falling	June
United Kingdom	7.3	7.1	5.3	4.9	Falling	July
Italy	11.2	7.1	6.4	6.0	Falling	Aug.
Japan	2.5	5.5	3.2	2.4	Falling	July
Korea, R.O.K.	8.1	10.3	10.2	8.5	High but Falling	July
Australia	8.4	7.1	4.4	2.4	Falling	May
New Zealand	11.8	4.5	4.6	2.1	Falling	May
Taiwan, R.O.C.	4.4	3.5	2.5	4.9	Rising	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Countries

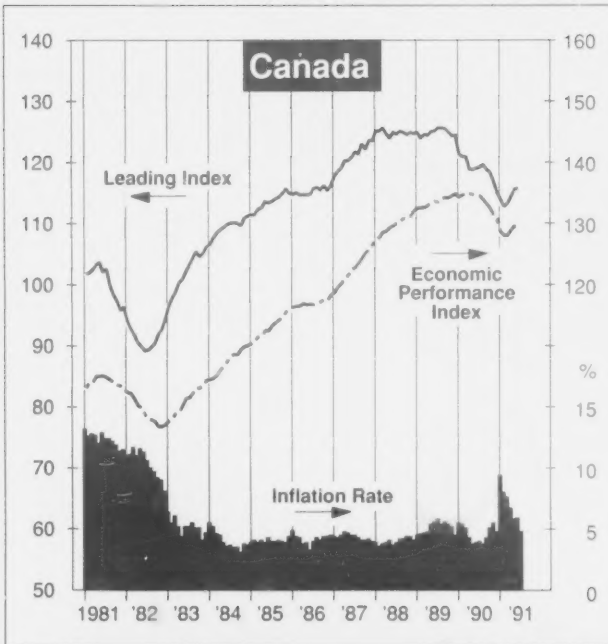


Signs of a Turnaround

The U. K. economy now shows tentative signs of a cyclical turnaround. After a full year of recession, the economic performance index advanced sharply in June and then held onto the gain in July.

This turn was signaled earlier—albeit tenuously—by the upturn in the leading index, which started in March. The component series most responsible for the improvement in the leading index were the manufacturing workweek, common stock prices, and the ratio of prices to unit labor costs (an indicator of profit margins).

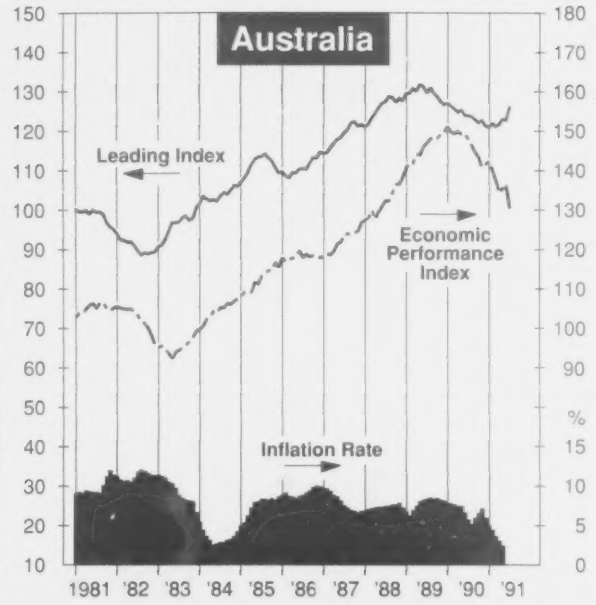
Inflation is easing in the United Kingdom, as it is almost everywhere in the world. The latest inflation rate—for July—is 4.9 percent.



Modest Upswing Developing

The Canadian business cycle appears to have turned from recession to recovery on about the same schedule and perhaps at about the same pace as the United States. The economic performance index for Canada hit bottom in February and March, and has been advancing modestly since then.

The Canadian leading index hit bottom in February, and its subsequent slow-but-steady advance since then suggests the improvement in the economy will continue in the months ahead. The early moving indicators that contributed most to the advance in the leading index include a drop in initial unemployment claims, and gains in new orders for consumer goods and in residential building permits.



Bad News, Good News

The Australian economy has been in a no-holds-barred recession for more than a year and a half—the most severe business cycle downturn of all the nations covered by our data. The sharp July drop in the economic performance index added to the pessimism.

The Australian leading index, however, suggests a more hopeful prospect. Thanks mostly to gains in the money supply, common stock prices, and new construction, the index has been on the rise since January. The advance has been volatile, month to month, but it has persisted, suggesting that a revival of the Down-Under economy may not lie too far ahead.

Another encouraging note is the slowdown in inflation. The rate is now down to 2.4 percent, the second lowest (to New Zealand) among our 11 countries.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	135	139	140	140	129	136	129	124	159	169
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	131	125	162	168
July	90	138	140	143	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	133	133	125	164	161
Dec.	90	137	136	145	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	167	163
Feb.	91	136	137	146	139	123	132	134	126	167	164
Mar.	91	136	137	145	139	122	132	134	127	166	163
Apr.	91	136	138	146	139	123	134	134	128	168	162
May	91	137	138	147	139	123	135	134	128	170	162
June	91	137	139	147	139	123	136	135	128	168	161

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	4	1	6	2	0	-1	6	1	7	5
Feb.	4	1	6	3	1	-2	6	0	7	6
Mar.	4	1	6	2	1	-1	6	0	7	4
Apr.	4	0	6	2	0	-2	6	1	8	3
May	4	1	6	2	1	-1	6	1	7	3
June	4	1	6	1	1	0	6	2	7	2
July	4	1	6	2	0	0	6	2	7	2
Aug.	3	0	5	1	0	0	5	2	6	0
Sept.	2	-1	4	-1	-1	-1	5	1	5	-2
Oct.	2	-2	4	-2	-2	-3	4	1	5	-5
Nov.	1	-4	3	-3	-4	-5	4	0	4	-6
Dec.	0	-4	3	-2	-5	-6	3	0	4	-5
Jan.	0	-3	4	-2	-6	-6	4	0	5	-4
Feb.	0	-2	3	-1	-7	-5	3	2	5	-2
Mar.	-1	-2	2	0	-7	-4	3	2	3	-2
Apr.	0	-1	3	0	-6	-2	2	4	5	-3
May	0	0	3	0	-5	0	2	3	6	-3
June	0	1	3	1	-4	2	3	4	4	-3
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	128	138	135	119	125	130	144	129	129	118	118	117	159	168	236	225	150	125	112	116	192	239
May	90	128	139	134	118	127	130	145	130	129	117	119	117	160	169	234	227	150	126	113	117	194	238
June	90	129	140	134	119	127	130	146	131	129	118	119	116	160	169	235	225	150	125	111	116	192	235
July	90	128	140	134	119	128	132	148	131	129	117	119	117	162	169	237	226	149	124	111	116	192	234
Aug.	90	128	140	134	119	129	132	148	131	128	117	120	116	162	168	238	226	147	124	110	115	192	232
Sept.	90	128	139	133	118	129	132	148	130	128	117	120	114	162	166	238	234	145	124	110	115	193	230
Oct.	90	127	137	132	118	130	133	149	129	128	116	120	115	163	163	237	223	144	123	111	115	195	229
Nov.	90	126	135	131	116	130	133	149	129	127	115	120	114	163	161	237	233	141	123	112	114	195	236
Dec.	90	124	134	130	115	130	134	150	128	127	115	121	114	164	162	242	232	142	122	110	113	194	235
Jan.	91	123	134	128	114	133	135	151	129	126	114	122	114	166	163	248	234	143	122	109	113	197	239
Feb.	91	122	134	128	112	133	136	151	130	126	114	122	115	166	164	249	227	141	123	109	112	201	239
Mar.	91	122	134	128	113	133	136	151	132	126	115	122	115	166	163	249	230	138	122	107	112	199	243
Apr.	91	122	135	128	114	134	136	152	135	124	116	120	116	168	162	255	234	135	122	109	114	199	246
May	91	122	137	129	115	133	136	152	135	123	115		116	170	161	253	238	136	124	109	113	202	249
June	91	122	138	129	115	134			137	124	115		116	168	160	250	233	137	123	107	113	202	253
July	91	123	140													254	239	131	127			203	249
		Growth Rates, Percent																					
Apr.	90	0	-2	2	-7	6	3	7	0	4	0	4	0	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-7	8	3	7	1	4	-1	4	0	8	4	8	4	1	-4	5	-2	1	3
June	90	1	0	1	-6	6	3	7	3	3	-1	4	-2	8	3	8	2	0	-5	2	-3	0	0
July	90	1	0	0	-5	8	4	8	4	2	-1	3	-1	8	2	8	2	-2	-5	1	-3	-1	-1
Aug.	90	0	0	-1	-3	8	5	7	2	1	-1	3	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-1	-1	-4	6	4	6	1	1	-1	3	-5	6	-3	6	8	-6	-4	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-7	-5	0	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-3	1	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	-2	-4	3	-3	6	-6	6	4	-8	-5	-2	-5	0	0
Jan.	91	-6	-6	-7	-8	8	6	6	0	-3	-4	4	-3	6	-4	10	5	-6	-5	-3	-4	4	2
Feb.	91	-7	-4	-7	-9	7	6	5	2	-3	-4	3	-2	6	-3	9	-1	-8	-2	-3	-5	7	2
Mar.	91	-7	-4	-6	-7	6	6	4	4	-3	-2	3	-1	4	-3	8	1	-10	-3	-6	-4	5	6
Apr.	91	-6	-2	-4	-4	6	4	4	7	-6	0	0	1	6	-4	12	5	-12	-2	-3	-2	5	8
May	91	-5	0	-3	-2	4	4	3	7	-5	-1		1	8	-4	8	7	-10	0	-2	-2	6	10
June	91	-4	2	-3	-1	5			8	-3	0		2	5	-4	5	2	-7	0	-5	-2	6	12
July	91	-3	4													8	7	-13	6			6	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8